



THE

September, 1960

Credit Union

File the peacemaker —1

Embezzlement: a way
of life?—14

Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

ON THE COVER

Edward A. Filene, born 100 years ago this month, was more than just a great merchant who also sponsored the credit union movement. He was active in many social and political reform movements, and worked actively to support the League of Nations. Article, page 1.



The Credit Union

Bridge

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COMING SOON

Auto insurance program in Texas
Listening in on a bankruptcy case



FILENE THE PEACEMAKER

Edward A. Filene was born 100 years ago—on September 3, 1860, to be precise, just two months before Abraham Lincoln was elected president of the United States.

Lincoln was assassinated when little Edward Filene was not yet five, but the boy grew up to become the friend of other presidents, notably Taft, Wilson and Roosevelt.

As the founder of the credit union movement in the United States, Filene is well known to readers of The Bridge.

But he was also interested in many other welfare projects—especially, the cause of peace. He had something to do with the development of the League of Nations, and Woodrow Wilson's tragedy was a tragedy to Filene too.

The material in this article is based on Filene's personal files that were long in the possession of the Edward A. Filene Good Will Fund but have recently been donated to the headquarters of the Credit Union National Association.

FOR one hundred years there was peace in Europe, with minor interruptions, but in 1914 the age of peace ended. Few Americans who will go to the polls this fall were alive then; few remember what a shock the opening of World War I was.

Some Americans, who did not know Europe very well, thought the Europeans had gone crazy. Henry Ford was one of these. He chartered a steamship, loaded it with writers and speakers of pacifist leanings, and sent them to Europe to talk the Europeans out of their folly. They failed and became a big sad joke.

Other Americans, who knew Europe better, realized it wasn't going to be so easy. Herbert Hoover, a little-known engineer with an office in London, was familiar with traditional European hatreds and rivalries and took a gloomy view of the future. The Bostonian, Edward A. Filene, America's best-known department-store owner, began looking for practical devices that might be used to head off future wars; he was more of an optimist than Hoover. Hoover took on the assignment of finding food to sustain the people of war-devastated Belgium, and did the job with stunning efficiency. Filene became finance chairman of an organization

called the League to Enforce Peace, whose program in time became the program of the League of Nations. The unprecedented violence of the war, coming after so many years of peace, forced decent people everywhere to think furiously about alternatives to military methods.

The ordeal of Wilson

Nobody was more miserable than Woodrow Wilson, president of the United States. This minister's son in the White House was working out a domestic reform program that was the most brilliant the country had ever seen; it included a rural credit program, new antitrust legislation and the Federal Reserve System. The war forced him to face problems he hated. He wanted to stay out of the war, but had his doubts from 1915 on whether it would be possible. His wife died, leaving him lonesome and unhappy, and he had to endure the criticisms of pacifists and isolationists like Robert M. LaFollette and militarists and interventionists like Theodore Roosevelt. At last the crisis came. Wilson warned the German government that further sinkings of unarmed American ships would not be tolerated; for a time, the German submarine campaign was discon-

tinued, then it was resumed; and war was declared.

Wilson was the kind of man Filene admired — moderate and practical, with a vein of moral sternness. There was nothing gay or colorful about either Wilson or Filene; both were more interested in ideas than they were in the pleasures of life. Both had come to a liberal view of politics in their mature years; neither went through the radical youth typical of many of the more emotional intellectuals. Neither had many intimate friends.

In 1911 Filene began to believe that Wilson would make a good Democratic candidate for the presidency. Wilson was then governor of New Jersey, and many were watching his career with interest. The mayor of Boston was John H. Fitzgerald, later to become the grandfather of a certain Senator named Kennedy. In August, Wilson representatives approached Fitzgerald to find out how Boston Democrats might vote at the Democratic convention.

Setting up a speech

When Filene heard about this, he wrote to Wilson.

There were rumors, he said, of a boom for a man named Harmon. "I



One hundred years covers a lot of American history. When Filene was born, slavery still existed and the United States was an agricultural country. He saw it become the world's greatest industrial power, and he played a part in making it that. Yet when he died, in 1937, his country was struggling with a depression which seemed endless.

believe that I am only one of a large number of Democrats who would prefer to vote for you in 1912," he said. "I should like to have you address a Boston audience this fall. I think that Massachusetts should have a chance to know you and get acquainted with your views on public matters. If you will indicate the time that will be convenient for you, I think I can make arrangements that the meeting should be held under the auspices of the Boston City Club, which has a membership of thirty-two hundred." Or, he suggested, perhaps Wilson would prefer speaking to the Boston Chamber of Commerce.

Wilson spoke on January 27 to the Boston City Club.

Raising the money

In March, Filene contributed \$250 to Wilson's campaign fund. "I wish it were more," he wrote, "but as a matter of fact I had not intended to make any contribution, thinking I could not afford to give what would really be an effective amount." The store was being expanded at the time, so he was short of cash. "On thinking it over, however," he added, "it seemed to me that men like myself who think Governor Wilson is the best man that can be

nominated and who know, as I do, that he has not the money to conduct a successful campaign, would be doing the square thing if they simply give what they could . . . Especially should he receive the nomination there are many 'mites' which might be had to swell the grand total if the fact that they were needed and helpful could be brought to the attention of such men."

In April, a friend passed along to Filene his impression that "Governor Wilson thinks you are the strongest friend he has in this state." Soon Filene was actively raising money from business groups for the support of Wilson. When Wilson received the Democratic nomination, Filene was delighted.

"I am glad," he wrote to Wilson, "I may say inexpressibly glad, for I find it difficult to express in words, and temperately, how glad I am—of your victory . . . It makes me more optimistic of the power of our Democracy, for I believe it was due to the same feeling among the great mass of our Democracy that I had myself, and that made me so anxious that you should be our standard-bearer, namely, that you were the wisest man that we could elect . . ."

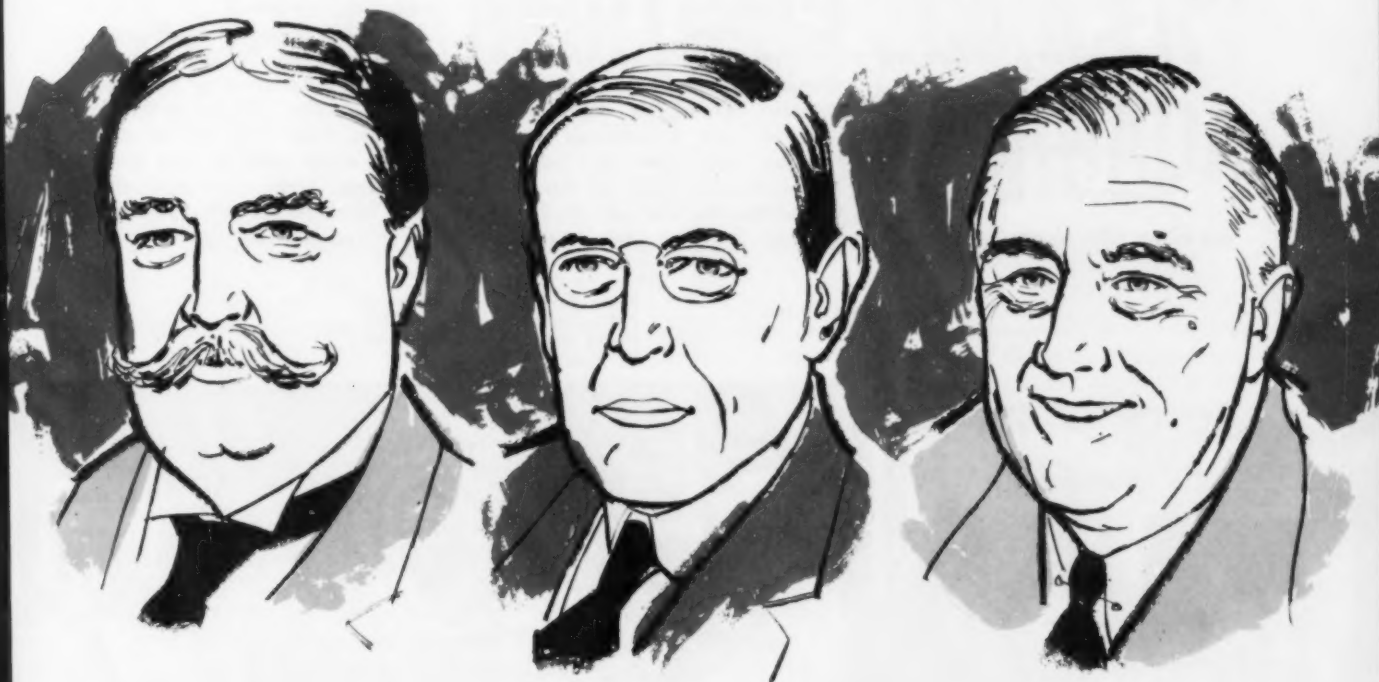
"I think the outlook for your elec-

tion is reasonably certain," he continued. "I need not tell you that I shall be glad to do whatever I can, and that you may call upon me freely. I want to make it perfectly clear that I am not saying this with any view to a future office for myself, or for any of my friends or acquaintances, for I think I have already told you that I am not, have never been and do not intend to be a candidate for any public office. I wish to serve, it is true, but I believe that the kind of work I can do best can be better done in my capacity as a private citizen."

Wilson slides in

His election prediction stood up. The Republicans were split, and both William Howard Taft and Theodore Roosevelt ran for the office. Wilson failed to get a majority of the popular vote, but he got 2 million more votes than Roosevelt and 3 million more than Taft and won by a landslide in the electoral college. Filene was active in an organization called the Woodrow Wilson League of Massachusetts, that campaigned among independent voters, and in another called the National League of Business Men for Wilson and Marshall.

(Continued on page 27)





The bus shell they started with didn't look too promising, but it was big enough for a small credit union.



And it looked better when it was finished. Standing proudly in front of their mortgage-free building are Vincent T. Newman, Henry J. Schutz, Bradley Chambers and William J. Bates.

LAST STOP FOR THIS BUS

Starting life all over again as a credit union office, this discarded bus shell is serving the members well.

THERE'S no reason why a small credit union can't have a building of its own, according to the officers of the Hudson Bus Employees Federal Credit Union. This Jersey City group has built a building around the shell of a bus, and the total cost was \$796.81, including air-conditioning!

When the Hudson Bus credit union was organized, six years ago, it had a potential membership of 106. Today its potential is 240. But the fact that it has never had a large potential didn't stop the officers from doing something about it when space became a problem.

In May 1957 the officers bought a discarded bus body from the parent company, paying one dollar for it. The company management agreed that they could place their bus shell in the company yard. At this point the membership was still only 74, but William J. Bates, now treasurer,

pushed hard for better quarters. Much of the work was done by a member named Bradley Chambers, a skilled carpenter and cabinet maker.

The first step was to set the bus shell up on blocks. Today the outside of the building no longer betrays its origin, but inside you can still see some signs of the old shape. Each item of expense was met as the construction progressed, and when, after three years, the job was finished, the credit union had an office building that was free of debt and surprisingly comfortable and spacious.

Part of the interior is a large waiting room, containing chairs and a settee converted from a bus seat. There is a teller's window at the extreme end of the room, and the office provides ample room for desk space, work areas, filing space and other needs. Much of the office furniture

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Inside there is a teller's window toward the rear, with plenty of working area behind it.

Donna Smith is the credit union's first paid employee. Here she sits among Messrs. Schutz, Bates and Newman.





Homes are multiplying fast in Canada, but financing is dragging.

"SECOND MORTGAGE CANCER" IN CANADA

That's what one Canadian authority has called it, and the facts are grim.

DURING the next two decades, Canada's 735 cities will double in population to twenty-three million residents.

This statistic means that Canada's urban areas will change faster and more dramatically than ever before in history. New houses will cascade over city boundaries, smothering orchards and dotting farmlands with satellite communities.

The Royal Commission on Canada's Economic Prospects has estimated that the amount of housing required to accommodate the urban multiplication of the next twenty years will exceed the number of homes now in

existence across Canada. The foundations for these nearly four million new houses will require scooping out twice the amount of earth which had to be moved during the construction of the St. Lawrence Seaway.

The building of this huge amount of housing will cost an estimated thirty-five billion dollars. At least twenty billion dollars of that amount will be required in the form of new first and second mortgage money.

Canada's present mortgage debt is about eleven billion dollars, most of it accumulated in the construction of nearly two million new houses since World War II. (In 1926, the country's

total mortgage debt was \$1.5 billions, but the depression wiped out much of this debt, and in 1945 the total outstanding was actually lower than the 1926 figure.)

Things are changing

The composition of the mortgage debt has changed greatly since the nineteen-twenties, when nearly half was secured by farm land and buildings. More than 80 percent of the debt today is urban residential.

Mortgage lending has become institutionalized. Out of the one and a half billion dollars made available in first mortgage financing last year,

for instance, government funds, insurance firms, loan and trust companies and banks provided 60 percent. Another 18 percent of the necessary financing was put up in the form of cash down-payments by the buyers. The balance came from private mortgage loans and credit unions. Loans granted by Canadian credit unions—including mortgages — last year amounted to \$394 millions. The mortgage business is especially important to credit unions in Quebec. The debt that the head of a family assumes when he signs the mortgage documents is probably the greatest single obligation he will ever contract in his life. When dealing in first mortgages, he is not likely to be exploited, because the profit margin in these transactions is not large and the business has not attracted a great number of shady operators.

Quite a different situation exists, however, in second mortgages.

Second mortgages can be quite useful for people who wish to buy a home without having enough money to cover the difference between the first mortgage and the total sales price.

"Stealing the people blind"

Dealing in second mortgages has become such a happy hunting ground for crooks that Ontario Attorney General A. Kelso Roberts recently referred to the business as "the second mortgage cancer." Hazen Argue, the leader of the CCF Party in the House of Commons, has charged that "the suppliers of second mortgages are stealing the Canadian people blind."

Argue stated that besides a high interest rate of up to 15 percent, the second mortgagers often charge bonuses as high as 40 percent. That is, to get \$1,800, the borrower has to agree to pay back \$3,000, plus interest. One trouble which Argue and other reformers have pointed out, is that under Canadian law there is no maximum allowable level on interest rates.

"Fortunately," Argue said, addressing the last annual meeting of the Employees Credit Union, Canada Packers Limited, in Toronto, "there is something that Canadians can do about all this, even if their government refuses to help—and they are already doing it. I am referring, of course, to credit unions. They encourage thrift, help members to live within their means, eliminate usury,

and increase purchasing power by enabling the members to borrow at a reasonable rate of interest."

The interest rate on first mortgages is in direct ratio to the amount of risk involved, but the law of supply and demand is as operative for second mortgages as for any other commodity. In the purchase of a new house, the inherent desire many people have to live in their own home puts them at a disadvantage in second mortgage transactions and even blinds them to the long-range implications in such deals. There is a fringe element in the second mortgage business which is all too ready, willing and able to exploit human weakness no matter what the cost to the individual.

In a typical example, a man wishes to purchase a house for \$16,000. With land values as they are, this would be a realistic average purchase price in a large Canadian metropolitan area. He applies for a mort-

gage and the lender is willing to advance him \$12,800 on a first mortgage. This leaves \$3,200 outstanding which is normally the down-payment. The purchaser, like most Canadians, has been living up to his salary and can produce only \$1,200. Somewhere he must dig up \$2,000, and a second mortgage is often his only solution.

Rates plus discounts

There is a greater variance in rate for second than for first mortgages, but in the market today the going price is generally an immediate 25 percent discount, plus a nominal rate of 7 percent for a three-year period. Discount means that although he received \$2,000 in cash, the borrower agrees to repay \$2,667 and to pay interest on that amount. In other words, he is paying a real interest rate of approximately 32 percent on a non-



There are all sorts of traps for the unwary in the second mortgage field, and many a quiet exterior conceals a worried young couple.

renewable mortgage that must be paid off in three years.

His payments on the first mortgage would amount to \$81.90 plus taxes, and on the second mortgage \$83.25. If he is able to maintain these payments, at the end of three lean years he has a substantial equity in a house, although he has paid a very high rate of interest for that privilege. It must be remembered that in order to raise the \$1,200 down-payment, this man scraped the bottom of the barrel. He took on added financial responsibilities, and he has no emergency fund. He is skating on such thin ice there is the likelihood that with any financial reverse he will lose everything.

There is another type of deal which involves a little misrepresentation. In this transaction the purchaser and the holder of the second mortgage, in collusion, suppress the fact that a second mortgage exists at all until the first mortgage has been fully advanced and registered. The reason for withholding the information from the first mortgage lender is that the lending institution would feel he has too little equity in the house to be a good mortgage risk.

They're badly matched

The unfortunate part of this arrangement, apart from its unethical aspects, is that the partners in this sub rosa deal are not in the same league. On one side is a shrewd operator in the second mortgage business and on the other a complete novice.

Once again the house sells for \$16,000 and carries a first mortgage of \$12,800. Ostensibly the purchaser has a down payment of \$3,200. In reality it amounts to \$500. To work out this arrangement there is a verbal agreement between the purchaser and the second-mortgage lender. The purchaser signs a blanket second mortgage which will be filled in and registered after the first mortgage funds have been fully advanced.

With a \$500 down payment he re-
(Continued on page 31)

FROM THE MANAGING DIRECTOR:



CREDIT UNION DAY—OCTOBER 20

MORE people observe Credit Union Day each year. To more people each year it is a day of Thanksgiving—Thanksgiving for the credit union movement! And particularly Thanksgiving for the specific credit unions which the members own! Those who have badly needed a bit of credit and found it unavailable know the satisfaction there is in knowing a credit union is standing by if the need should now arise. Those people particularly observe Credit Union Day with feeling!

Credit Union Day tells others

The parades and banners and all public aspects of Credit Union Day help inform non-credit union people of the credit union movement. We must not keep these celebrations under the proverbial bushel, but must make them public in the best sense that all people may know that we are proud of our credit unions and the movement as a whole.

But then, let's not wait until non-members come and ask if they may join—let's make it clear from the beginning that they may and are most welcome!

New credit unions needed

Non-members may join if there is a credit union already organized

within their common bond. If none, let's help them organize one. Very few people are outside the reach of new credit unions (where they work, a church or organization to which they belong or the community in which they live). Let's help them organize the new credit unions to which they can belong as well as to join the ones now in existence.

It takes savings

Loans can only be made if we members have saved. All of us need the savings "for the rainy day" and collectively we need the pool of savings that our collective borrowing needs can be met! Credit Union Day is a reminder to all of us to save more than we've ever saved before.

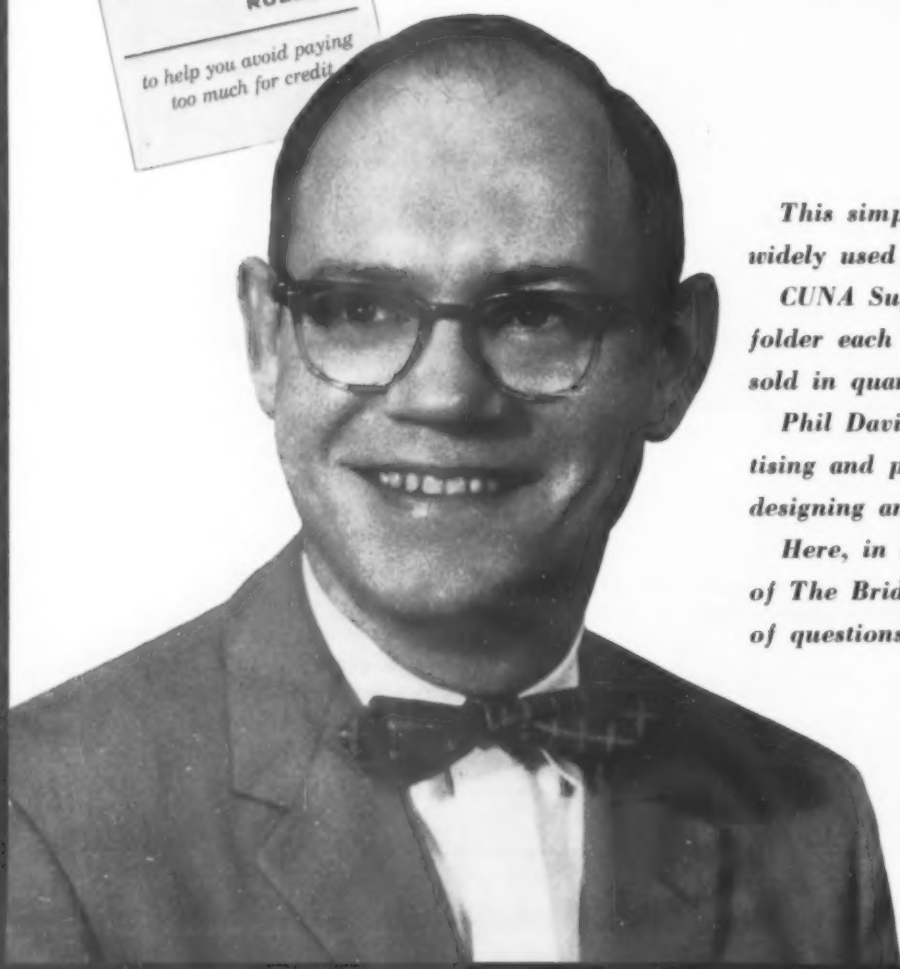
Renew the basic concepts

Credit Union Day reminds us again of the basic philosophy of the credit union movement. "Not for profit—not for charity—but for service." "Loans made on need and character." Those are but a few of the simple statements of a simple philosophy with deep meaning and deep impact on the lives of millions of people. Credit Union Day is an occasion for our renewal of allegiance to that philosophy.

—H. Vance Austin



THE CREDIT UNION



This simple advertising tool is being widely used by credit unions today.

CUNA Supply Cooperative issues a new folder each month, and some have been sold in quantities near a million.

Phil Davies, CUNA's director of advertising and promotion, has had a hand in designing and writing nearly all of them.

Here, in an interview with the editor of The Bridge, he answers a number of questions about them.



ADVERTISING FOLDER

Q. This list that you have prepared shows over 15 million leaflets have been sold by CUNA Supply in about two years. Are these leaflets all pretty much the same style of thing?

A. Yes, I suppose you could divide them into four general categories—Save, Borrow, How Your Credit Union Operates, and Money Management. The last includes material on interest rates, how to buy a car, facts to remember when fixing up your home, and so on.

Q. How are credit unions using these leaflets?

A. Two ways. They're mailing them to members, sometimes with a covering letter, sometimes as a stuffer. And they're putting them in leaflet racks. Some may also be tucking them into passbooks.

None of these are designed as self-mailers; they have to be handed out or mailed out some way.

Q. Do you have any indications of the results that credit unions are getting from using these?

A. Only in general terms. Some

credit unions have sent in success stories, but they only partially concern the leaflets. I think it's fair to say there's much greater awareness of the usefulness and the results to be expected—this seems to be based on good experience. Perhaps the growth figures we get at the end of each year prove something. From year to year CUNA Supply is selling more of these, so I presume that means the experience has been good. Incidentally, CUNA Supply is not the only source of leaflets; CUNA Mutual is putting out its own line, which are furnished free to credit unions, so the total volume of leaflets in use is growing fast.

Q. Do you find that most credit unions set up a program for using these regularly?

A. Many more are doing this right along, and I think this is a result of the Operation Impact program, which tells you how to do it. There have been several Operation Impact pieces designed to do this. Some leagues have their field men going around to credit unions with Operation Impact materials. In the Minnesota League, for example, field men visit credit unions,

estimate their potential, recommend educational and advertising budgets, and check growth figures.

Q. Are these leaflets just a part of the Operation Impact program?

A. No. CUNA Supply has been printing leaflets longer than Operation Impact has been in existence, and some of them have sold very well. But Operation Impact has dramatized the importance of using such materials, and speeded up the whole thing.

Q. How are these leaflets planned and produced?

A. They are written and designed in the advertising department, on order from CUNA Supply. The topics are chosen in conferences involving my department, Operation Impact, CUNA Supply, and sometimes other departments. We plan 12 leaflets for the year, with occasional extras. As a rule, we schedule one on auto loans, one on debt consolidation, one on vacations, and one on Christmas. The other eight slots are more or less open, used for topics the movement seems to need. At first, we issued two leaflets a month, but cut back to one when we

found that one leaflet appeared to sell as well as two.

Q. I see one leaflet has almost reached a million sales. That's the one called Three Rules. Why has that sold so well?

A. The total title of that leaflet is "Three Rules to Help You Avoid Paying Too Much for Credit." Inside, there is a discussion of interest rates, extra charges, and easy payments. There are comparisons of charges by various lenders. It's a basic subject for credit unions, and I think it is actually helpful to members, not just a selling piece. Also it can be used any time of the year, and probably in any credit union. It's a universal subject.

Q. The next best seller, I see, has been a leaflet on auto financing.

A. Yes. This is another "compare the cost" presentation. It's attractive, and it has a little work sheet on the back on which you can work out a comparison of charges with different kinds of financing. This covers both new and used cars. Lately we have put out two that were mainly about new cars, so perhaps we should prepare one now on used cars, especially since financing rates are usually so much higher on used cars.

Q. Your third best seller has been one called Welcome?

A. That's right. This is a special purpose leaflet which is given to new members as they join, and it is used all year round. It doesn't wear out. It gives a brief survey of what the credit union offers the new member.

Q. As I look down the list, it

strikes me that all your titles are selling pretty well.

A. Yes, there are only two that have sold less than 300,000. One was called Your Home and the other was called Boss Your Spending. The latter was printed quite recently, however, and it may catch up later with the other titles.

In the main, we can almost count on selling half a million, as long as we plan them carefully and write them well.

Q. Is there some style of leaflet that members like best?

A. I couldn't say any particular style is most popular. We have developed a variety of art styles by going to different sources, and oddly enough, our best seller has no art in it at all. In the few cases where we have tried to set a style and stick to it over a series, as many commercial advertisers do, it has not been very successful.

Everything has been in two colors, which gives us maximum eye appeal at the lowest printing cost. Most of the leaflets have been in the small single-fold size, which we can print and distribute for less than a penny. A few are bigger and more expensive. Our basic press run for all of them is now ten times what it used to be five years ago.

Q. Do you have any way of evaluating leaflets in comparison, say, with posters as an advertising medium?

A. We're selling many more leaflets than posters, but that isn't a fair comparison. They are two different

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How the folders have sold

Title	Number sold	Month printed
3 Rules	990,000	8/58
Auto Financing	830,000	7/58
Welcome	790,000	10/58
52 Money Problems	740,000	6/58
Finance Charges	720,000	2/58
Pay Them All	700,000	2/59
About Your CU	650,000	9/57
Your Vacation Trip	580,000	1/59
It Costs Less	560,000	8/59
How Much Money Do You Want to Keep?	560,000	12/59
It's Your Share Account	550,000	1/58
Federal Income Tax	550,000	12/59
How Your Money Is Protected	530,000	3/59
Don't Stop Now	530,000	6/58
How to Plan Christmas	520,000	9/59

how much
of your money do
you want to keep?

it's
YOUR
share account

but it helps your friends

how your
money
is protected
in your
credit union

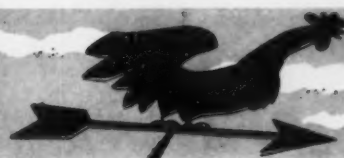
don't
STOP

now

how to plan Christmas

**TO FIT
YOUR HOME**

in the NEWS



Three significant items were added to the CUNA budget during the August quarterly meetings in Madison, Wisconsin.

A new man will be added to the **legal and legislative** department to specialize in state and provincial legislative programs. He will join David R. Weinberg, now director of the department.

A special fund has been set up to finance a special public relations project planned to **counter some of the attacks** now being made on credit unions. CUNA will set up a special temporary committee to work on this project with the CUNA public relations department.

The CUNA world extension department will add a field man to work with **credit unions in Asia**. He will be stationed in the Philippines, according to present plans.

Meanwhile, charges that were understood to have been leveled against CUNA staff during the May annual meeting have been **repudiated** by the president of CUNA Mutual. Whereas CUNA national directors understood CUNA Mutual general manager C. F. Eikel to be implying that CUNA employees have been encouraging the Occidental Insurance Company to compete with CUNA Mutual, now CUNA Mutual president J. D. N. MacDonald says no such charge was intended. In a letter to CUNA president Julius Stone, MacDonald said August 9 that no charges were ever leveled at CUNA staff. However, what remains of the charges will be investigated by a special committee September 9.

Melvin H. Brussow has been appointed manager of CUNA Supply Cooperative, and **Hubert Griffin** has been named assistant manager, it was announced during the week.

And to the board of directors of the new **CUMIS Insurance Society**, CUNA Mutual subsidiary in the field of casualty insurance, have been added three credit union veterans: **Fabian C. Monroe**, managing director of the Wisconsin League; **Joseph A. Flannery**, long a leader in the New Jersey movement; and **H. E. McArthur**, Illinois pioneer currently on the CUNA executive committee. The firm is expected to begin limited operations in Wisconsin September 15.

Other actions taken during the week:

The CUNA executive committee approved a new credit union **organizing program** to begin in October.

The executive committee adopted a policy to protect CUNA Mutual from competition by the Michigan League's life insurance company in **Bridge split-run advertising**.

The **International stabilization** study committee was dismissed, and a rough draft of articles of incorporation of an international stabilization reserve program is expected to be submitted to credit union leagues during September.

The CUNA planning committee began study of a proposal to limit the number of **national directors** by concentrating most of their activities in district meetings.

Consumer credit reached a new high in the United States at midyear, comments the Federal Reserve Bank of Chicago. The installment debt total topped 41 billions. The increase was almost as great as in 1955, but auto loans played a smaller proportionate part in the rise, the Bank says.

In a surprise move, proponents of a **compulsory share insurance** bill for credit unions nearly got it through the Massachusetts Senate in early August. Alerted credit unionists managed to persuade Senators to refer it back to committee. It is the same bill that came up earlier in the year; its effect would be to eliminate smaller credit unions in the state.

The Illinois League board has voted in favor of a recommendation that state-chartered credit unions should be required to maintain a 100 percent surety bond. This recommendation was communicated to the leagues by the CUNA executive committee during 1959.

John M. Macdonald, an attorney active in Nova Scotia credit union work, was appointed to the Canadian Senate by Prime Minister Diefenbaker . . . H. Vance Austin, managing director of CUNA, has been reelected to the board of directors of the National Thrift Committee . . . Clarence Murphy, managing director of the California League, married Marion Wroth, credit unionist from Manitoba, in August . . . William L. Madden has been named director of education by the Missouri League.

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Left to right: Clarence Murphy, managing director of the California Credit Union League; "Frenchy" Doublet, assistant managing director; Jerry Brohard, director of education and public relations; Marvin Draper, Jr., assistant director of education and public relations.



CHAPTERS AT WORK

*It takes a lot of planning
and a lot of coordination
to keep a statewide
chapter program going. Here's
how California does it.*

LAST year California's 31 chapters held approximately 300 meetings. More than 260 of these included some kind of training activity. Some 130 of them were workshops.

"Better leadership and maximum participation are the goals of our chapter program," says Clarence Murphy, managing director of the California Credit Union League. "We are constantly trying to improve our services, methods and techniques."

The California League began working with chapters immediately after it was organized in 1933. From the beginning, chapter areas were planned to cover the entire state. The largest chapter today is Los Angeles, with 217 credit unions. The smallest is Imperial Chapter, with 6. The average chapter includes about 50 credit unions.

"We've got a big state and a lot of chapters," says Jerry Brohard, the League's director of education and public relations. "We have to plan systematically to give the chapters the service they need. Methodical advance programming improves our efficiency and cuts our costs."

The League's by-laws spell out the structure and responsibilities of the chapters. Here are some of the details:

Board of governors. The executive body of each chapter is called the "board of governors." This includes the chapter's elected officers, other elected representatives and League directors. Each chapter also elects a legislative information secretary, who



is responsible for publicizing all League and national legislative activities as well as all administrative orders affecting the chapter's credit unions.

The duties of the chapter secretary, in addition to keeping a record of all chapter and board meetings, include mailing to the League office notices of all chapter meetings, minutes of all chapter and board meetings, and results of all chapter elections.

Committees. Each chapter president has authority to establish and appoint committees as needed. Most frequently, these are audit, public relations, special services, program, volunteer organizers, international credit union day, and legislative.

Meetings. Chapter meetings take place quarterly or oftener. All chapters plan one meeting a year with the League managing director and one with the League president. The choice of month for these meetings is entirely at the chapter's discretion. Only one month is set aside by the League's by-laws for a special purpose. This is September, which is the annual meeting month for all chapters.

Dues. California's chapters are authorized to create their own independent expenditure funds. But these funds may not be raised through assessment.

Program planning

"Program planning is one of the most important chapter functions," Jerry Brohard points out. "A chapter

that fails to prepare for its meetings soon finds that its members do not appreciate having their time wasted. They'll show their resentment by poor attendance and lack of participation. On the other hand, a chapter with an active program committee becomes a valuable educational forum for directors and committeemen. Our League staff is always ready to help chapter officers and committees to improve their meetings."

To aid chapters with program planning, the League has prepared a comprehensive chapter manual, which contains more than 100 pages of operational and program materials as well as the League's by-laws and rules of procedure. A colored index divides the manual into ten topical sections. The manual is packaged in a serviceable loose-leaf binder to facilitate updating.

Here are some of the manual's program suggestions:

Determining needs and interests. Before building a program, the program committee should find out the chapter members' needs and interests. This can be done by interviewing the chapter members face-to-face or via telephone, taking an informal census during casual conversations, conducting a formal poll of small groups at the first meeting during the year, providing 3 by 5 cards for written expression of program interests when people enter the meetings, placing a suggestion or question box in a conspicuous spot in the meet-

ing hall, and using a questionnaire of three or four questions on a single sheet which allows ample space for answers.

Changing topics and methods.

Program subjects and presentation methods should be varied, California's chapter manual points out. Even the best program loses its effectiveness if it is repeated in the same manner and style. Members like to take an active part in meetings, they usually take greater interest if they get a chance to participate. A 10-minute question period after a speech is often enough to convert a passive listener into an active, interested and satisfied participant.

Punctuality. Meetings should always begin and end on time. Credit unionists don't like to waste their time. They carry heavy loads of occupational, civic and domestic responsibilities. Often their time is committed to so many good causes that they find it difficult to meet all of them.

Selecting a resource. The speaker, film, or other resource selected as the meeting's principal feature should command the respect and interest of the chapter members. A speaker should be one who speaks with authority on his subject, with effective delivery and interesting ideas. A film should deal with a subject of direct interest to credit union directors and committeemen. And if the meeting's principal feature is a panel or group

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EMBEZZLEMENT ... IS IT

The literature of "white collar crime" suggests that embezzlement is on the increase all through the business and financial world because of a decline in morality.

Fortunately, the credit union record seems to be better than the record in banks and retail stores.

Nevertheless, it's a subject that should cause deep concern.

An embezzler is one who violates a trust. This means, by definition, that he is the kind that inspires confidence.



ON June 6, 1960, Edward L. Stange, the manager of the Chicago Daily News Employees Credit Union, was sentenced to from 6 to 12 years in prison, after admitting that he had mishandled at least \$226,000 of credit union funds. "With a crime such as this," said the judge, "probation is impossible."

On March 29, the president of a Chemical Workers union local in St. Louis, Morris Parker, pleaded guilty to two charges of stealing, which involved embezzlement of \$13,240 in credit union funds. Parker was treasurer of the credit union and had used some of the money to buy an interest in a commercial boat dock.

On April 1, a two-year sentence was imposed on William Pascale, the treasurer of the Greystone Park Credit Union, a New Jersey hospital group, for embezzling \$5,000.

On April 11, a Florida court began selecting jurors to hear a case against Mrs. Elizabeth L. Sams, clerk of the credit union serving Jacksonville police. Mrs. Sams' doctor asked for a delay, saying that her weight had fallen from 120 pounds to 80 pounds due to an intestinal malfunction. Mrs. Sams stood accused of forging an endorsement on a check.

On March 15, a federal grand jury indicted two Baltimore credit union officers—Charles C. Langley and John A. Martin—for embezzling a total of \$1,500 from two different credit

The Credit Union Bridge



Once started on his course, the embezzler's life is a rat race. He works twice as hard as before in order to keep his tracks covered.

BECOMING A WAY OF LIFE?

unions, one a steelworkers group, the other a bakery group.

Defalcations in credit unions continue to reach the press, not an alarming rate exactly, but at a rate which at least reminds credit union officers of the importance of bonding and auditing safeguards. Since the present CUNA bonding program was set up, nine years ago, 1,813 credit unions have filed claims under the heading of embezzlement, including a minor number labeled forgery. Only 134 of these have been for amount over \$5,000, and in 454 there was no loss at all. The remaining 1,225 showed losses between a dollar and \$5,000.

Credit unions covered by the CUNA bonding program during the period reported—January 1, 1951 to December 31, 1959—have varied in number, from 5,000 at the beginning to 20,000 at the close; but apparently credit union claims and losses are running lower than claims and losses in banks. According to one recently published statement, during the past five years one bank in 5 has suffered an embezzlement loss. The credit union record is nothing like as bad as this.

Nevertheless, embezzlement is not a subject that credit unions can forget about. It happens that some of the largest losses—the \$2 million loss in Noble County, Indiana, (see *The Bridge*, August 1959) and the quarter-million loss at the Chicago Daily News—have occurred in credit unions

not affiliated with the organized credit union movement. This is gratifying, in a small way, to the movement but it does not eliminate the problem. The credit union movement was built on the stirring slogan, "The average guy is honest." The slogan was meant to support the principle of liberal lending; but if one treasurer in ten has his fingers in the petty cash, the slogan will lose much of its charm.

A nation of embezzlers?

As it happens, there is acute concern over the growing menace of embezzlement in commercial and financial circles. More articles are appearing about it in the business press, and recently two books have appeared which it would seem ought to be required reading for every chairman of a supervisory or auditing committee. These are called *The Thief in the White Collar* and *The Operators*. They draw to some extent on an earlier book, *Other People's Money*, but they present mostly new material. *The Thief in the White Collar* was written by a management consultant who also conducts special investigations into security programs in business, Norman Jaspan; his writing assistant was Hillel Black, who is now engaged in writing a book on consumer credit with a chapter about credit unions. *The Operators* was written by an outstanding reporter, Frank Gibney, who originally presented this material in

an article for *Life*. *Other People's Money*, the earlier book, was written by a sociologist named Donald R. Cressey, based on interviews with embezzlers in three penitentiaries; it was published in 1953.

"Are we becoming a nation of embezzlers?" Jaspan asks, as he leads off in chapter one. White collar employees are stealing four million dollars a day from their employers, in cash and merchandise, he says. The trend is up, and by the end of 1960 the annual total will be one billion dollars. Burglars, armed robbers, auto thieves and pickpockets don't get away with half as much as this, according to F.B.I. reports.

The cost of fidelity insurance rose 70 percent from 1946 to 1956, Jaspan points out, indicating the alarming upward trend. Losses rose 250 percent. In the last two decades, 105 banks closed because of embezzlement losses. In business and industry, it is much easier for an employee to steal than it used to be. The postwar expansion of business has made it more difficult for management to keep track of its employees. "Indeed, the dishonest employee is literally given the opportunity to steal. Unlike the burglar, he doesn't have to jimmy his way into the office and blow the safe. He already has the key and the right combination. Often he handles company merchandise, records and funds as part of his job. There's no chance that he will be shot while



It's typical of embezzlers that they are often tremendously relieved when at last they are discovered and arrested. The rat race has ended.

committing his crime, and he has the time and opportunity to falsify records and cover up."

Financial organizations have been awake to the problem for many years, of course, and have set up controls of various kinds. Bonding of employees in financial institutions is universal, although it still sometimes turns out to be inadequate; for example, the Commonwealth Building and Loan Association of Norfolk, Virginia, had to close when its assistant secretary-treasurer gave away \$3 million of its assets to her friends and relations. But other types of business organizations are far from alert, Jaspan says. Stealing of merchandise is widespread, but few employees who handle merchandise are bonded. Only about 10 percent of the commercial employees who should be bonded, are, in Jaspan's opinion.

It's getting worse

The postwar situation is worse than the situation in the thirties for several reasons, as Jaspan sees it. One is that during the thirties jobs were harder to get, and employees were not so willing to risk being fired. Another is that organizations were smaller, and employers had a better idea of what their employees were up to. Still another is the fact that people are moving around more than they used to, which tends to break down their

sense of community loyalty and at the same time increases their feeling that they have to show their new neighbors what big shots they are by over-spending. Finally, as a thing like this grows, moral resistance breaks down under the impression that "everybody's doing it."

Easy way to profits

Analyzing the problems of department stores, Jaspan points out that stores doing between \$20 and \$50 million volume in 1957 showed an average 1.85 percent profit on sales, but had shortages averaging 1.2 percent of sales. It would be easier for most stores to increase their profits by finding ways to reduce shortages than by raising sales volume, Jaspan says. "I have found one concern after another planning to start more stores or factories in order to increase their sales and profits, when they could earn an equal amount of profits by simply cutting out internal losses and thefts."

Jaspan does not emphasize it, but in the stories he tells about theft and embezzlement there are two distinct patterns. One is the gregarious pattern of widespread stealing by employees, where everybody is doing it and the disease is highly infectious. The other is the lonely pattern of the furtive embezzler, who goes into it all by himself, has no collaborators

and confides in no one; he often succeeds in hiding his guilt from his own wife and from a board of directors with whom he meets every month. These are two distinctly different cases. Yet credit union board members might ask themselves whether, in a plant where employee thefts and gambling are common, there may not be more than average temptation placed on credit union employees to help themselves to credit union funds.

Each one teach one

As an example of the widespread group stealing phenomenon, Jaspan offers this: "In one suburban store recently we found twenty-nine part-time employees involved in theft. Of the twenty-nine, twenty-one had college degrees while four were attending college. Two were elementary school principals, one a parochial school principal, another a credit manager of a large company, still another an insurance adjuster and so on. The merchandise they voluntarily returned exceeded \$50,000. Total loss to the store—over \$200,000. Most of the employees involved held two jobs so that they could afford to live in the new suburban area surrounding the store. The store carried all the items they needed in their new homes. These employees soon developed a community spirit. As they helped each other steal, one would say to the other, 'Be my guest.'"

For the other type of thief—the lone wolf embezzler usually encountered in banking or credit union losses—there is no more attractive or pathetic figure than that of William Richard Rose, banker of Ellenville, New York. Rose embezzled more than \$1,400,000, but took none of it for himself. He belongs to the special category of embezzler who takes money in order to play God in his community. All he wanted, apparently, was to be loved and worshipped, and for a while he was.

Ellenville is a small village in the Catskill area of New York state. It draws a lot of profitable summer tourist trade, but in the winter it has the economic problems peculiar to resort towns. Rose was born in Ellenville in 1906, the son of a banker and the grandson of a banker. He began working in the family bank summers at the age of sixteen, and in 1929, a Harvard graduate, he became a

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What about it?



Deceased co-maker

What do you do when a co-maker dies?

ANSWER:

If the loan is current and secured by a single co-maker, it may be advisable to ask the member to find a new co-maker. But if the loan was co-signed by several co-makers, each of whom assumed full responsibility for the entire loan, then there is no immediate need to rewrite the loan with a new co-maker.

But the situation is substantially different if the note is delinquent at the time of the co-maker's death. In that event it may be necessary to file a claim against the co-maker's estate. The court may decide to hold the amount of the deceased co-maker's contingent liability in a special escrow account.

Teller's shortage

We had a loss because our treasurer made an error while cashing a check on payday. Because he cashed many checks, he doesn't know who received the additional money.

Would it be practical to put in a claim for such a loss? Or would doing so be harmful to our position in the event that we should ever have a major loss later on?

ANSWER:

Bond coverage was not intended to cover errors in making change during the regular course of business.

Usually such a teller's shortage is written off through the cash over and short account rather than redeemed through a claim.

Naturally, if there is any evidence of dishonesty or theft in connection with the loss, it should be reported as a claim under the bond and the person responsible should be relieved at once.

Whenever a loss of this kind occurs, the credit union's cash handling procedures and personnel should be reviewed. And, wherever possible, arrangements should be made to prevent a recurrence of such a shortage.

The Federal Accounting Manual re-

quires that all cash overages and shortages must be reported for the directors' consideration and ratification at each regular monthly meeting.

Director accidents

A friend was driving one of our directors to a board meeting last night when the car was involved in an accident. Our director was severely injured.

Would our director be able to file a claim under our director insurance in spite of the fact that he was not driving?

Does driving to and from a board meeting constitute credit union business under our director coverage?

ANSWER:

Under CUNA's group accident insurance for volunteer directors and committeemen, the board member is covered for all types of accidents whenever he is on credit union business. This includes full coverage to and from the credit union office.

Reporting co-maker's death

Is it the borrower's responsibility to report the death of a co-maker?

ANSWER:

Since the borrower has not promised to do so, he is not legally responsible to advise the credit union in the event of his co-maker's death.

But in spite of the absence of a legal responsibility, the borrower has a moral obligation to keep the credit union informed.

Co-maker settlement

If a co-maker pays a delinquent member's obligation with a \$400 settlement agreement, can he then turn around and collect \$500 from the borrower?

ANSWER:

When a credit union settles with a borrower's co-makers, it should assign the note to the co-makers. This assignment should state the payments made by each of the co-makers.

The legal claim of the co-maker against the borrower is limited to the actual amount paid in settlement of

the note plus reasonable interest.

But the co-maker is at liberty to encourage the borrower to reimburse the credit union for the loss suffered. Borrowers often respond to such urgings. That's why many credit union write-offs are ultimately collected.

Note changes

One of our members has agreed to repay his loan in 36 monthly payments on these terms: \$44 per month for the first 35 months; \$10 for the last month. The contract states that the first payment falls due at the end of the first month and that all subsequent payments will be due at the end of every month thereafter until the loan is paid in full.

Can I as treasurer decide to change the payment dates on this loan to fall due on the 15th of each month to equalize and ease my work load? Would such an action require the consent of the borrowing member and his co-makers?

ANSWER:

The treasurer does not have the right to change any part of the note without the approval of the borrower, his co-makers and the credit committee.

If it facilitates the work of the credit union, the treasurer can suggest the 15th as the payment due date at the time of preparing the note. Most members will be glad to co-operate provided that the mid-month due date does not create a hardship for them.

BUS STOP

(Continued from page 4)

was built by the officers.

By the time the building was completed, the membership had risen to 215. Now was the time, the officers decided, to add a paid employee, and Donna Smith came on the staff on a part-time basis. Miss Smith attends business school in the morning and works in the credit union afternoons.

Today, this modest-sized credit union has made over 900 loans to its members, totaling more than \$350,000.

EMBEZZLEMENT

There's a certain point at which the embezzler is still free to turn back.

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permanent employee. In 1933 he was appointed assistant cashier and in 1940 he became president.

War came, and in 1942 Bill Rose joined the Navy as a lieutenant commander in Air Intelligence. He was 36. For three years he served in the Pacific aboard an aircraft carrier. According to one of his friends, Bill Rose liked this life; he was free from the dull routine of the bank, and he had adequate guts. He returned home a hero.

Liberal lending policy

Once more he was a bank president, replacing his father who had stepped into the gap while Bill was away. Under Bill Rose's leadership, the Home National Bank launched out on a new lending policy that was extraordinarily liberal. Unlike the other bank in town, which limited its loans to 50 or 60 percent of assets, Rose's bank had no inhibitions. At one point loans rose to 90 percent of assets. People in the Ellenville area said "If you need money, see Uncle Bill." Apparently he never turned anybody down. Many small businessmen conceded that without Rose's help they would have gone bankrupt. Nearly all of these loans were paid back, thanks perhaps to the fact that times were good. A recession might have pulled Rose's bank down much earlier.

Rose never married. He worked like a man possessed. His average working day lasted fourteen hours, and he spent much of his weekend going over the bank's accounts. Weekdays he arrived at the bank at seven in the morning, carrying his lunch. At noon time he would eat the cold fried egg sandwich at his desk, and drink the milk, and go on working till late in the evening. He made nearly every loan that anybody asked for; and when there were legal reasons for rejecting a loan application, sometimes he got around the technicalities by suggesting an overdraft. "You'll owe me \$200 like any other bill," he said to a grocer once. "Pay me when you get it." His trust was rarely betrayed.

But two accounts tested Rose's

judgment and moral fiber, and he failed. One was the Hotel Zeiger, which Rose permitted to overdraw its checking account by \$225,000. The other was the Anjopa Board and Paper Manufacturing Company, which became the rathole into which Rose poured over \$900,000. The Anjopa account is the more interesting, both because it was larger and because it shows Rose's mind at work.

The Anjopa business was the property of a man named Joseph DiCandia and several of his close relations. DiCandia came to Ellenville in 1949 and bought a rotted-out paper mill, which he thought he could turn into a profitable enterprise. His background included several years as a waste-paper dealer in New York and several years, ending in failure, as a paper manufacturer in York, Pennsylvania. He had very little money, and he soon showed up at the Rose bank asking for a \$2,500 loan. He struck oil.

Man with a mission

Rose believed earnestly that as a banker he had a mission to help develop local industry. He loaned DiCandia his \$2,500, but more than that he took a strenuous interest in DiCandia's business. He studied up on paper. He learned how waste paper is boiled and converted into salable paper, he investigated the costs of paper-making equipment, he became a student of waste paper prices and finished paper prices. He could see that the DiCandia family were willing to make sacrifices in order to get the business going.

For a year and a half, the DiCandia family struggled along, keeping the business alive with the help of five hard-working employees. They borrowed something like \$19,000 from the bank during that time, and an additional \$16,000 from Rose personally. A bank examiner warned Rose that he had stepped somewhat beyond the legal limit in lending to the DiCandia family, and this would have been a good point at which to stop. But Rose couldn't stop. He had apparently made up his mind that he would do for Anjopa what J. P. Morgan did for U. S. Steel.

From then on he began honoring DiCandia's overdrafts, which over the next five years ran close to a million dollars. These overdrafts were never reported to the board of directors of the bank. Each month these men met and were handed a report on the bank's condition, including a list of overdrafts, but these as reported never totaled more than \$3,000 or so. The DiCandia overdrafts were not mentioned. Nobody questioned Rose's figures.

Hiding the overdrafts

The bank employees had some idea of what was going on. The clerks who posted the individual overdrafts knew that sizable amounts were involved. The bookkeepers knew where Rose hid the incriminating ledger cards during bank examinations. But nobody asked them any questions, and they didn't volunteer any information.

There was always a plausible reason why DiCandia should be allowed to overdraw some more. Sometimes the prices of paper products shifted suddenly, and it seemed wise to convert to some new line; this would cost money. Sometimes collections were slow. Sometimes something broke down. DiCandia meanwhile lived in comfort, if not luxury. He was no more of a business success in 1956 than in 1949—he had lost money right along—but he was receiving a salary of \$150 a week plus \$300 a week expense allowance. He owned a home valued at \$45,000, a Cadillac and a power boat. The bank would never let him down, it seemed, although the only security it held was a \$9,000 mortgage on his mill. Rose, the banker, was working nights and weekends to make this possible.

Rose's sins found him out in 1956, thanks to an alert federal bank examiner named George Monahan. Monahan first examined Rose's bank that year. He did not discover the true facts at the outset, because Rose had learned how to cover them up, but there were three things that bothered Monahan. He felt the delinquency rate on installment loans was high, he didn't like the fact that loans had reached 90 percent of assets, and he believed the bank's secondary reserve holdings of government bonds were too low.

Monahan reported these facts to his superiors, and discussed them with the bank's directors. The directors

were not impressed; they argued that you couldn't judge a country bank by city bank standards. However, they agreed to hire an assistant for Bill Rose, who seemed to be overworked. They also considered buying an excess fidelity bond which would have added \$1 million protection over the \$200,000 surety bond the bank already carried. Rose resisted both proposals. He said he didn't need an assistant and the bank didn't need any more bond coverage.

Six months after the first examination, Monahan, still suspicious, returned for a surprise examination. He arrived at the door of the bank ahead of Rose, who showed up soon with his regular fried egg sandwich in its usual paper bag. When Monahan said he was there for another examination, Rose said, "You're going to find things in a hell of a shape." It was true.

The people of Ellenville couldn't believe it. When it was first announced that shortages had been discovered, they rallied to Bill Rose's support. They brought in more money; one depositor, owner of the local country club, put an additional \$100,000 in his account. Five thousand citizens signed a petition which said in part, "We know that Ellenville is a finer place to live in because of his progressive and unselfish leadership." Four Protestant ministers, however, signed a separate statement to the effect that questions of guilt or innocence were to be established by due process of law. One of these was Rose's own minister.

When Rose at last went to jail, after a year of due process, the citizens of Ellenville had absorbed the facts and were no longer rooting for him.

The embezzler who thinks of himself as God or Robin Hood is not uncommon. But there are numerous other reasons why people become embezzlers. The most searching inquiry that has been directed into the motivations of embezzlers is probably that of Donald R. Cressey, California criminologist, who published his findings in 1953 in a book called *Other People's Money*. Cressey interviewed a hundred embezzlers in the Illinois State Penitentiary at Joliet, the California Institution for Men at Chino and the United States Penitentiary at Terre Haute, Indiana. He came up with a general formula which defines embezzlement and throws some light on the differences between embezzlers

and ordinary criminals.

Embezzlers are usually people who would not consider committing other types of crime, such as armed robbery, Cressey points out. Embezzlers by definition are people who are trusted to handle money or records, and they violate the trust. There are three factors that lead them to do it:

- They are troubled by a problem which they feel they cannot share with anybody else.

- It occurs to them that they can solve the problem by violating the trust.

- They find some way of rationalizing this violation so that they feel justified in doing it.

Let's expand on each of these a little.

The problem than cannot be shared. In the case of the Ellenville banker, Bill Rose, the problem that could not be shared was the fact that he was permitting the DiCandias to overdraw beyond the limit that would have been allowed by his board or the federal bank examiners; up to that point, he had no guilty problem. Once he had gone past the line, he could not confess without disgrace. The only way he could save his reputation, as he saw it, was to keep forcing food into a sick horse in the hope that some day it would win the Derby for him.

Others have had other nonshareable problems. Some men have "borrowed" a little, lost it gambling, "borrowed" some more, until the time came when they couldn't possibly pay it back. Some have used money to support a mistress. Some have lived in splendor, unquestioned by their friends and associates, until time caught up with them. Some have embezzled to finance alcoholism, or sick relatives, or blackmailers, or homosexual orgies, or the purchase of narcotics.

But the reasons aren't always so dramatic. Take Cressey's "case 1":

"I was employed by the bank at \$90.00 a month. I got in with the wrong crowd and spent more than I should have. I met a girl and married her. Not honest enough to tell her my small salary and then gradually it got worse. Overspending and not confiding in the family. Salary never increased much until it was so late that it was impossible to tell anyone and it grew larger and larger until I was finally arrested and sentenced."

Another man told Cressey: "My

wife only knew about it when I got about \$3,000 short. I gave her the impression right along that I'm going great guns. Why should I tell her and worry her about it? It wasn't that bad at the time, why should I worry her about it? Even if I explained it to her she could never have known the conditions. I *couldn't* have told her—she'd think I was completely nuts. I had spent a lot of money fixing up the house and what did I do that for? On account of my sister-in-law and mother-in-law too; you can't tell them about that because it would be a kind of four-flusher. They were all so enthused about how well I was doing, and if I told them they would think I was nuts for spending money on the house. I didn't want them to get impressions like that of me, after all these years. I didn't think I had to let them know I needed the money. Then after I gambled I couldn't possibly go and tell them I was \$10,000 out."

A problem that one man cannot share is not necessarily nonshareable for his neighbor. A banker might hesitate to admit to anyone that he had lost \$5,000 gambling, but a machinist might not. A man who has a wife, brothers, sisters or other relatives in whom he confides his troubles is less likely to cover up a small problem than a man who is isolated. A man who is anxious to climb into higher economic and social levels is more likely to hide a failure in business judgment or a deficit in income than a man who is content with his level in life.

Several of the cases Cressey cites are those of bank employees who felt obliged to give generously to all charity drives and put up a respectable appearance on a low salary. Another was a popular lawyer urged by his friends to run for Congress; he found the campaign expenses much higher than he could handle, and forged bank stock to use as collateral for loans. Often, a franker, friendlier relationship between an employer and his employees might have promoted early confessions and prevented things from going too far.

Embezzlement as a solution.

It probably does not take much worried brooding to suggest embezzlement to the employee of a financial institution. A few slip into it after observing that others are doing it. But most, probably, play a lone hand.

As an accountant remarked to Cressey:

"In my case I would have to say that I learned it all in school and in my ordinary accounting experience. In school they teach you in your advanced years how to detect embezzlements, and you sort of absorb it . . . It is just like a doctor performing abortions. In his medical training he must learn to conduct the abortion, because many abortions are necessary for the health of the mother. Maybe he will perform a few legitimate abortions and then an illegitimate one."

Another accountant said: "The whole thing was second nature. I knew the procedure backward, but not for bilking people . . . It was like taking candy away from a baby . . ."

But if safety precautions are set up by management, embezzlement will not seem so easy or so tempting. Where no precautions are taken, sometimes the embezzler justifies himself by saying, "They're so sloppy in their methods, they deserve to lose some money."

One told Cressey: "I worked for many concerns and never saw things as loose as they were there. He was too lenient. He should have checked and made sure what he was signing. Many people will take chances if they see loopholes."

Justifying the embezzlement. There seem to be three different lines of argument which embezzlers use to excuse themselves for what they have done.

One is the argument that taking the money in this case is really not criminal or immoral, either because it is just being borrowed and will be returned as soon as possible, or because other people have done it and gotten away with it, or because the money is going to be used for a good purpose.

A second is the argument that this is justified, because the embezzler has been underpaid and deserves the money, or because the boss has been hard to get along with and deserves to be punished, or because life has become too difficult to bear.

Third comes the argument that "I really wasn't responsible for what I did." "I did it as if in a dream." "I didn't really know what I was doing." "Everybody has some criminal streak in them, and it just happened to come out in me at that time."

These are all interesting arguments, some of them more naive than others. Behind some of them there is enough emotional conviction to make them powerful as motivation, as well as a consoling excuse after the fact.

One embezzler told Cressey:

"The bank does not pay its employees enough. I worked for the bank for ten years and at the end of that time I was getting \$125 a month. During several years of that time I was making more money outside the bank by incidental work than I made all day working in the bank . . . But I was forced to give up my outside work and then it was either a case of giving up the car, giving up our good home, getting out of clubs, and in general going on to a lower scale of living or else to get some money somewhere else. So I got it from the bank . . . I was sore about the situation but even then I did not plan to keep the money permanently."

Embezzlement as revenge

There are similar stories of men who started embezzling when some promise was broken. For several years they had been working in hope of getting a promised raise, or a promised partnership in the business; and when the hope died, revenge began.

But the sad thing about embezzlers, as they appear in Cressey's book, is that few of them have criminal mentality. Most of them drifted gradually into it with mixed motives, under mixed pressures.

The sad thing according to Frank Gibney is that moral resistance to such pressures seems to be weakening. In his book *The Operators*, Gibney says a republic survives through the virtue of its citizens, and the virtue of the American people is petering out. It is a harsh judgment. In support of it, he offers one chapter on the spread of embezzlement, and other chapters, at least equally alarmist, on the prevalence of fraud in sales and advertising, phony health products, the promotion of worthless stocks and bonds, padded expense accounts, tax evasion, graft in government and various confidence schemes.

It is easy to brush off a prophet of doom like Gibney by saying that there has never been a time in history when the older generation hasn't thought that the younger generation was going to the dogs. Gibney could reply that sometimes the younger generation *has* gone to the dogs, and

in any case he is not just talking about the younger generation. He is talking about everybody.

"Last year, by conservative estimate," he says, "some five billion dollars, roughly one percent of the total U. S. national product, changed hands under innumerable desks, counters or expensive restaurant tables in kick-backs, pay-offs or bribes." Half a billion in cash was embezzled by employees from their employers. Half a billion went down the drain in home repair frauds. Something like five billion dollars was lost to the federal government through tax fraud.

Gibney's book is a mine of hair-raising anecdotes. Take the story of Stanley Sternberg, dress buyer for Sears, Roebuck. Sternberg was an expert in holding up dress manufacturers for kick-backs. Nothing was too big, nothing was too small. He served Sears for some years, he bought Sears over a million dollars worth of dresses, and in the process he took something like a quarter of a million in kick-backs.

He gave the manufacturers advance information on the styles Sears was going to buy, and then bought what they produced. In return he expected regular payments in cash and bonds, also various other gifts and services.

"At his arrest," reports Gibney, "he had on hand \$137,000, distributed in 27 banks. He insisted on regular daily lunches and had his and his family's clothes purchased from manufacturers' charge accounts. When he bought a new house on Long Island, he was given, after some broad hinting, a \$475 dryer, a custom-built TV set, gas range, refrigerator, and thousands of dollars worth of household improvements, down to a Barcalounger chair.

"One manufacturer was detailed to take Sternberg's aged parents to dinner almost nightly. Another manufacturer's wife, famed for the quality of her cuisine, was called upon to supply a home-cooked turkey whenever the Sternbergs craved fowl. He once suggested that a manufacturer supply an employee to push his father's wheel chair. He chiseled stamps, stationery, newspapers and cigarettes."

Discussing embezzlement, Gibney hazards the opinion that probably for each embezzler there is a point at which he is still free to turn back and save himself, or plunge ahead

toward disaster. One lie-detector expert, he says, has suggested that perhaps for most people this point is reached when \$1,000 has been filched. But most embezzlers—at least those that are caught—seem to have the character defect of the wolf that got into the cellar according to the Grimm fairy tale, and ate so much that he couldn't get out the door again.

Gibney has no suggestion to offer, except to say that people need to become more aware of moral problems. The American conscience is getting deaf and dumb and blind. Righteous deeds must not be replaced by righteous words. "If this republic continues to live by shirking, pleasure-seeking or outright fraud," he declares, "we must be prepared one day to pick up a fearful check for it—without any expense account left to put it on." Who can say he is wrong?

The point of these books can hardly be lost on credit union officers, directors and committee members. It is as foolish to say "it can't happen here" of embezzlement as it would be of rain. Further, the kindest thing you can do for the poor fellow who has started down Sticky Fingers Road is to catch him and stop him as early as possible.

The Bridge will be glad to forward orders to the publishers for any of the three books used as the basis for this article. They are:

The Thief in the White Collar, by Norman Jaspan and Hillel Black. \$4.95

The Operators, by Frank Gibney. \$3.95

Other People's Money, by Donald R. Cressey. \$4.00

CHAPTERS AT WORK

Who would go to a play if it was known the actors had not rehearsed?

(Continued from page 13)

discussion, the panelists, discussion leaders and other resource personnel should have substantial experience and reputation.

Fellowship. Adding food and fun to a meeting helps to balance the program. It also gives an excellent opportunity to discuss some special problems in a less formal atmosphere. But while food and fun have their place in chapter programming, this place is secondary. The primary purpose of chapter meetings is director and committee education, which is serious business.

Physical comfort. The physical comfort of the chapter members, guests and speaker should not be neglected. This includes such items as a large enough meeting room, enough chairs, an amplifier system if the group is large, adequate ventilation and temperature control, cloak room facilities, elevator service, and water and glasses (or paper cups) both at the head table and for the members and guests.

Rehearsing meetings: Whether your meeting is to have a panel, symposium, dramatization, film, talk

or discussion, it's good to check all arrangements the day before. A final check of the physical arrangements an hour before the meeting provides a last chance to correct small details overlooked earlier. "After all, who would go to a play, knowing the actors had never rehearsed?" California's chapter manual asks.

Meeting publicity. Publicity is essential for a good turnout. Useful methods include: mailing an initial announcement well in advance of the meeting date; mailing a follow-up post card a few days before the meeting; using a telephone committee to call treasurers a few days before the meeting, suggesting that directors and committeemen attend if officers are unable to come; publishing notice in local newspaper, library, Y.M.C.A., service clubs, and on employers' bulletin boards, stating that members are welcome; and asking chapter officials to write personal letters or make personal phone calls to officers of credit unions which have not been represented at chapter meetings lately.

Defining objectives. Clearly defined chapter goals can do much to

reduce confusion, increase the quality of individual programs and improve the chapter's prospect for growth. The chapter objectives should be developed by the board of governors through study and discussion. In developing the objectives, the board of governors can make use of the chapter's planning committee.

Meeting evaluation. A good meeting does not end when the meeting is over and the room is empty, California's chapter manual points out. Advance plans should be made to find out how the members liked the program and what aspects of it they wish to see improved. If evaluation sheets are used, it's a good idea to stress that the evaluating member does not have to sign his sheet.

Another effective means for obtaining the members' reaction is to make each planning committee member (or each member of a special interviewing committee) responsible for interviewing five members following each meeting. Interviewers should ask identical questions so that their information will be comparable.

Beyond the regular chapter meetings, the California chapter program as planned and supported by the League includes one-day seminars, an evening school program and an annual chapter presidents' conference. These activities are supplemented by certain other educational programs of the League which are not precisely chapter functions—especially area educational conferences and an annual credit union management conference.

For the workshops and seminars, the chapters try to select leadership as much as possible from among local credit unionists. The education department of the League or the local League representative is also available to help when seminars or workshops are in the planning stage. Staff members are provided by the League office to serve as resource persons working with workshop leaders. Preliminary programs and suggested workshop outlines are furnished by the League for the use of program committeemen and seminar group leaders.

One-day seminars are usually held on Saturday. Noon luncheon is included as part of the program. Participants, or their credit unions, pay the cost of the meal and program materials.

In the evening school program, two

courses have been developed and are now being taught. One course is in credit union accounting, and consists of 18 weekly sessions of 2 hours each. The other course, of similar length, deals with the subject of credit union principles and management.

These courses are taught at the junior college level by instructors selected by chapter governors assisted by League personnel. Last year 200 people completed these courses, in nine different classes. Students paid a registration fee averaging three dollars.

Two-day presidents' meeting

The chapter presidents' conference is an annual League sponsored event. It lasts two days and takes place during the month following the election of chapter officers. The League reimburses the chapter presidents for the expense of attendance at this meeting out of a special conference budget of \$3,000. Direction of the conference is in the hands of the League's education and public relations department.

These are the topics which the League presents to the conference: (1) How to conduct a meeting. This includes basic parliamentary law and a discussion of the proper method of introducing guests and speakers. (2) The organized credit union movement. Included under this subject are explanations of the functions of the chapter, League, CUNA, and CUNA affiliates; their respective departments, services and programs and the interrelationships of the various parts of the credit union movement. (3) Volunteer organizing. Under this topic the conferees hear a presentation of the importance and role of the volunteer organizer program and the need for chapter support of this program. (4) The chapter's role in CUNA Mutual's Policy-owners' Representatives Program. (5) How to work cooperatively with people. (6) Chapter program planning. (7) Meeting arrangements and facilities.

"We think that our annual chapter presidents' conference is the most important single item in our chapter program," says managing director Murphy. "We try to arouse so much enthusiasm during these two-day sessions that the local officers will be willing and eager to carry the ball from then on."

Adds E. G. "Frenchy" Doublet, the League's assistant managing di-

rector, "These conferences offer our League staff an excellent opportunity to become acquainted with the new chapter leaders. That's why as many of our League staff as are available, make it a point to be present for the presidents' conference."

Services

California's thirty-one chapters receive substantial assistance from their League's staff with the preparation of meeting announcements and records. On the 10th of each month, the League's education department sends to each chapter secretary a form on which it requests information concerning the chapter's next monthly meeting. The purpose of this is to provide the League with information for printing the chapter meeting announcements.

Immediately after receiving the month's data from the chapter secretary, a League staff member mimeographs the meeting announcement and mails three copies to each credit union in the chapter.

A small number of chapters prefer to mimeograph and mail their notices locally. In such cases, the League furnishes the chapter with addressed envelopes and the League reimburses the chapter for the postage spent for mailing the notices.

Chapter meeting notices should be mailed to the member credit union at least two weeks before the meeting date, Marvin Draper, the League's assistant director of education and public relations, suggests. On the other hand, seminar notices should reach all interested groups a full four to six weeks in advance.

A reminder system

To remind member credit unions of the monthly meeting date, the California League sends out post card reminders from 4 to 7 days before the meeting for those chapters which find this device effective. "But," says Marv Draper, "only some 50 percent of our chapters take advantage of this second reminder. These are usually the larger chapters."

For seminars, the California League does not use follow-up post cards. Instead the League sends the seminar program itself. These seminar reminders usually go into the mail a week to 10 days before the event.

The League also provides each chapter secretary with a pad of attendance record sheets and a pad of

meeting minutes. At the end of each meeting the secretary fills in both forms in duplicate, sends one copy to the League education department and retains the second one for the chapter files. Other League services to the chapters include help with seminar evaluation, publishing resolutions or motions, reimbursing for program expenses and underwriting flower donations in the event of deaths.

To assist chapters with special expense problems, the League may authorize the reimbursement of some of the chapter program costs. Usually this involves such expenses as guests' and speakers' meals. The League has established a uniform reimbursement procedure. It consists of filling in a chapter expense voucher, in which all costs must be itemized. Before it is submitted to the League, it must be signed by both the officer requesting the funds and the chapter president.

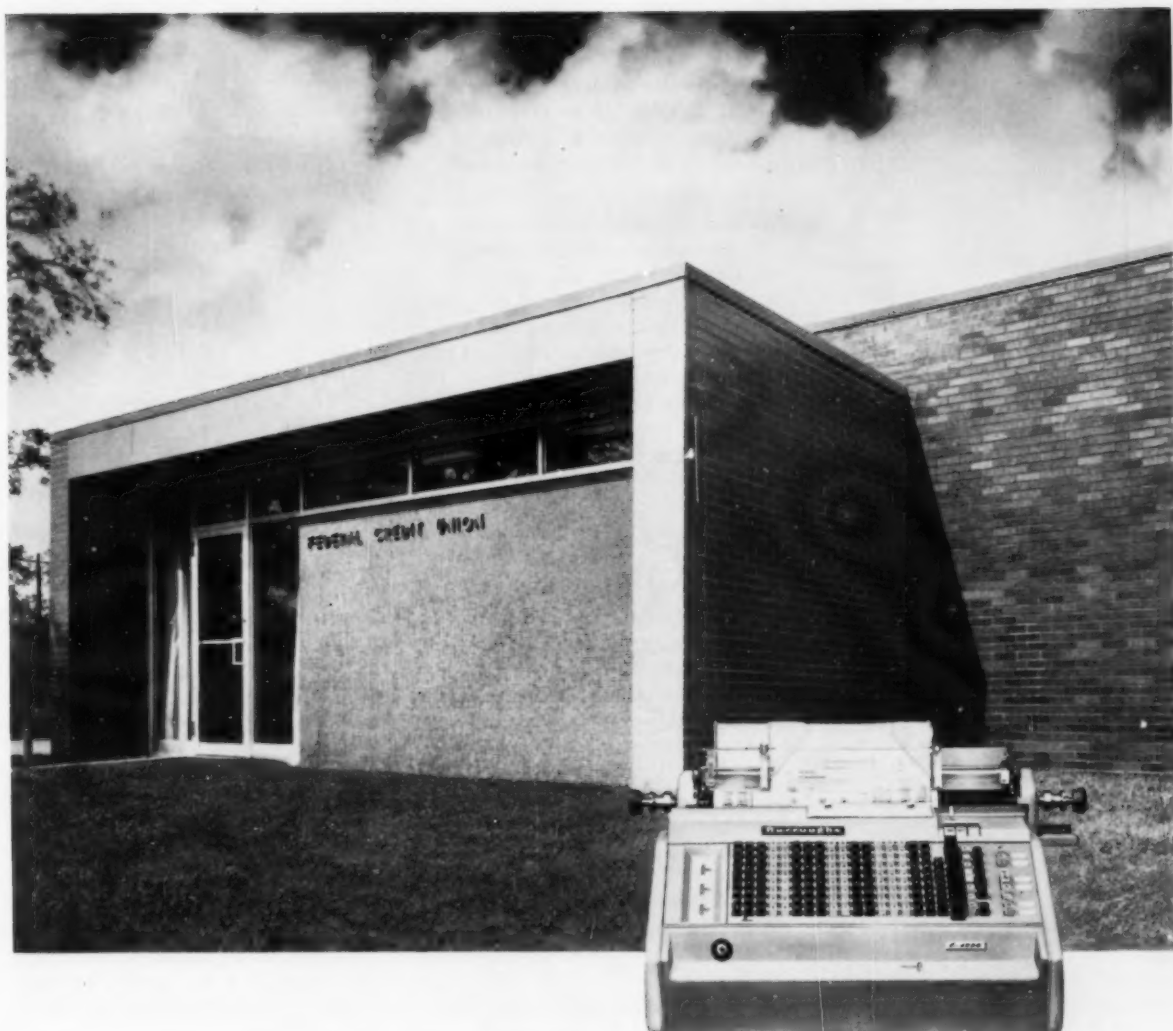
Operating costs

How much does it cost the California League to operate its chapter program? The League's chapter expenses are of two kinds: Those which are readily identifiable budget items, and those which are not.

Identifiable chapter costs for the League's 1960 budget year are limited to a \$1,500 general budget item marked "chapter expense." The budget includes materials such as letterheads, notices, stationery, forms and other special printing, as well as chapter activity and program costs.

Not included in this budget item are (1) envelopes (which are paid from the League's general budget for stationery and supplies), (2) postage for notices and postcard mailings (which is taken from the League's general postage and express budget), (3) the chapter presidents' conference (which is financed from a special conference budget of \$3,000), nor the cost of (4) special speakers and (5) flowers.

Staff time is the largest cost item in the League's chapter budget. This includes 75 percent of the time of the League's director of education and public relations; 10 percent of the time of his assistant; 5 percent of the time of the League's eight field representatives (who try to be present at every chapter and every board of governors' meeting to offer the League's advice and assistance and frequently to serve as chapter speak-



BURROUGHS ELECTRONIC ACCOUNTING MACHINE CUTS TRIAL BALANCE TIME IN HALF

The scene: Humble Employees Baytown Texas Federal Credit Union (Humble Oil and Refining Co.). **The job:** Cash-plan accounting for 5,200 members; accounting for 3,000 loans. **The equipment:** The new Burroughs F-4224 Electronic Accounting Machine. **The results,** in the words of Manager Wilfred S. MacKinnon: "The electronic features of this equipment provide us with greater operational efficiency. For example, we run our trial balance in only 11 hours instead of the 22 previously required. I now have far more time for policy matters, administrative duties, promotion activities."



Wilfred S. MacKinnon
Manager

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ers); 5 percent of the time of the office girl who prepares all chapter notices; and varying portions of the time of the League's top headquarters personnel.

Problems

California's chapter program is somewhat hindered by the lack of continuity among the chapter leadership. Each year the turnover of chapter officers is approximately 35 percent.

But the League now feels that it has found an answer to this problem. Reports an experienced League staff member: "Our 1959 chapter presidents' conference helped us to fill the gap between our old chapter officers and the new ones. We expect that the annual turnover of some 35 percent will continue. But we feel that by making the chapter presidents' conference an annual event, we will be able to continue to bridge the gap created by the loss of experienced officers."

- Conclusion. These are some of the conclusions which the California League draws from more than twenty-five years' experience with chapter work:

- Specific chapter programs meet with better acceptance than those which are of a general nature;

- Educationally most effective are (1) workshop-type programs, (2) meetings devoted to the discussion of the duties of officers, (3) discussions of new legislation, (4) items of current interest to credit unions and the movement and (5) credit union day celebrations; but

- Local officers and committeemen turn out in largest numbers at chapter meetings featuring an educational program that they can apply to their own credit union duties.

IN THE NEWS

(Continued from page 11)

The attorney general of Texas has ruled that credit unions in that state cannot operate **branch offices**. The ruling is based on state banking law.

A **suit to recover** more than \$36,000 in deposits has been brought against the Jax Police Credit Union, Jacksonville, Florida, by a widow of a city policeman and her son. The credit union experienced a \$180,000 shortage last year.

The CUNA public relations department is asking all credit unions to report **questionnaires** that they receive. Problem is to keep track of what research is being done in the credit union field, and by whom.

Information on how to organize a credit union has been requested by the Federation of Native Associations of **Papua**. Papua is a crown colony on the southeastern tip of New Guinea . . . A weeklong course in credit union management, held in July in Lima, **Peru**, drew 170 persons. . . . The **Fiji Credit Union League** is collecting funds for its own office building. . . . **Haitian** credit union leaders are planning their first Credit Union Day celebration. . . . A sixth credit union, serving railway and harbor workers, has been organized in **Ghana**.

Tax equality lobbyists asked both the Democratic and Republican platform committees to write in planks favoring income taxes on mutual and co-op organizations now exempt; this would presumably include credit unions. Neither party complied, although the Republican Party added a plank in favor of improved tax structure, with no specific mention of co-ops. Meanwhile, the Democratic platform strongly endorsed the Douglas Bill, which would require all lenders to state their true annual interest rates. The Republican attorney general of New York, Louis J. Lefkowitz, also spoke out in favor of the Douglas Bill last month.

THANKS

To the Editor:

The hundreds of expression of sympathy from our many friends in the credit union movement have been such a wonderful help to the children and me since Jack's death. Because of the number—and often for lack of address—it's been impossible for me to acknowledge all of them personally.

Our sincere thanks to all of you for your kindness. The last few weeks' mail reminds me of the many good friends Jack had throughout the credit union movement.

Janet (Mrs. Jack) Burns
Burlington, Ontario

The **Adult Conference of Christian Churches** of Ohio held credit union classes for its conferees at Otterbein College in July. . . . The second conference of **military credit unions** will be held in Washington, D. C., September 21-23. The **Georgia Interdenominational School for Rural and City Pastors** discussed credit unions at their 41st annual session August 8-19. . . . A display of credit union literature in braille was featured at the recent **National Federation of the Blind** convention in Miami.

ADVERTISING FOLDERS

It's important for credit unions to use varied materials for varied readers

(Continued from page 10)

things entirely. A poster may be seen by a thousand people. Credit unions that are using leaflets are also using posters. I think you need this kind of multiple effect. Lots of them are using the *Umbrella* publication, and getting good results. Many have custom literature, too.

Q. The advertising department does a large amount of custom work for individual credit unions, doesn't it?

A. Yes, particularly for the larger credit unions, whose volume is big enough to make custom-tailored work economical. We can supplement the stock material with custom literature covering the topics no stock leaflets will be able to provide. The number of things that have to be said in writing increases with the size of the credit union. For example, members want to know how payroll deduction works, or how interest charges are figured, or a general survey of the credit union's services. Right now,



New RECORDAK Portable Microfilmer weighs only 24 lbs.! Photographs up to 90 items a minute

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NEW RECORDAK Portable Microfilmer turns tedious record-keeping chores into easy picture-taking routines . . . protects your records for a fraction of a cent each.

Much easier than manual copying. Just feed loan applications, deposit slips, checks, other records into the new RECORDAK Portable—and they're microfilmed and returned in sequence (up to 90 items a minute).

Simple way to prepare statements!

Some credit unions microfilm members' ledger cards . . . order low-cost paper prints from the film . . . and send these out as quarterly statements. This short cut trims costs and gets statements out 4 times as fast!

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record is tamper-proof. Two rolls of film (one for security filing) can be exposed simultaneously in RECORDAK Portable Microfilming.

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**"Bill, I'm sorry, I spilled coffee on your Bridge."
"Let's call it even, Charlie, I just ran over your dog."**

It's a good idea to have extra copies of *The Bridge* for your directors and committee members, partly because of the danger of coffee stains, partly because people are more likely to read a magazine if they get the latest issue while it's still current.

we're working on a share-promotion package—a leaflet, poster, and letter—for Detroit Telephone Employees. We are doing a leaflet on interest charges for Vancouver City Savings Credit Union. We have two letter-head jobs we are working on—FHA Employees in Washington, D. C. and Fort Worth T&P, also a services folder for them. As credit unions develop new services, like the Kwik-Cash plan, they often ask us to do folders for them.

Q. There has been quite an upgrading in the style of advertising used by credit unions, hasn't there, in recent years?

A. Yes, and I would like to think that the advertising department has had a lot to do with it. Credit unions have realized more and more that they are competing for attention, and that their materials should be attractive and inviting. The credit union that puts its money into attractive stock and custom materials has found that its money was well spent. I saw a statement recently that the sales of a phonograph record can be doubled by proper selection of the picture on the jacket.

Q. Would you say that it's important for the credit union to use a variety of materials?

A. Yes, indeed. Variety in itself adds interest to the credit union's program. Even a small group of members has a variety of types, and they respond to different approaches. That's why there will always be a place for the mimeographed bulletin, and it will have its loyal readership whatever else the credit union does by way of promotion. To get this variety, it's desirable to plan at least a year at a time.

Operation Impact has given credit unions the basic tools for planning, and we have often helped with special planning problems. All of us urge credit unions to communicate with their members in some way every month, if possible.

Q. Are you satisfied with the acceptance your department's work has received?

A. Very much so. We have a lot of repeat customers. We have a file of testimonial letters. Most significant, our first suggestion on any job usually proves to be acceptable practically without change.

I have worked in various areas of the advertising business, but I have

never had such pleasant relations with the people I worked for. Credit unions are fine outfits to work for, and the growth of interest and understanding of advertising that has developed in

the credit union movement during the past five years has been most impressive. If there is a similar change during the next five years, it will be a truly remarkable transformation.

FILENE

"If the people insist on going northeast, then I am bound to lead them northeast."

(Continued from page 3)

In 1915 Filene became associated with an organization called The League to Enforce Peace, organized by a group of political and university leaders. "I had brought similar work before the U. S. Chamber," commented Filene in a note in his files, "and was chairman of the Chamber Committee which agreed with the 'professors' to get together at Philadelphia and work out a common agreement."

There were many peace organizations active at the time, but this one was different. It avoided any position on the war then in progress. Most peace organizations were trying to get the war stopped; the people who set up the League to Enforce Peace believed this was impossible, and aimed exclusively at preventing future wars. They excluded extreme pacifists and recruited men with high public reputations.

Many notables served

Among the famous Americans who served in this organization were ex-president William Howard Taft, who served as its president; Alexander Graham Bell, inventor of the telephone; Edward Bok, editor of the *Ladies' Home Journal*; Myron T. Herrick, a Cleveland banker soon to become Wilson's ambassador to France and author of a standard work on European credit unions; George H. Lorimer, editor of the *Saturday Evening Post*; Alton B. Parker, who was the Democratic party's candidate for president in 1904; Frederick H. Strawbridge, Philadelphia merchant; William Allen White, Kansas newspaperman; Jacob H. Schiff, New York banker; Charles R. Van Hise, president of the University of Wisconsin.

Filene served on the executive committee and as chairman of the finance committee, and gave \$25,000 of his own money toward the expenses

of the organization. He contributed the services of his personal secretary, Glen Frank, to help the League staff.

"At a certain point," Filene later wrote to a newspaper friend, "I went to Wilson for the purpose of urging him to publicly declare himself in favor of the basic principles of the League, at a dinner which we were arranging to give in Washington. He answered the invitation by saying that as President of the United States, it was his sworn duty to lead the people in the direction they wanted to go. If they wanted to go North and he thought they should go Northeast, it would be his effort to show them why, in his judgment, they should go Northeast, but if he failed to convince them, it would remain his solemn duty to lead them finally in the direction they had chosen."

"I then said to him that we would demonstrate that the people of the United States, irrespective of party, were behind the principles of the League to Enforce Peace. A luncheon was immediately afterwards held, and it was attended by many of the most prominent leaders of public opinion in the country, and \$275,000 was raised within the luncheon period in support of the program of the League. The newspapers gave great prominence to this event, and it impressed Wilson to the extent that he attended the dinner on the following day and publicly declared himself in favor of the movement."

The program of the League was substantially the same as the program later offered by Wilson himself as a basis for the League of Nations. It called on the United States to join a league of nations, in which all members should be bound to three principal commitments:

- They should submit their disputes to an international tribunal.
- They should submit certain other questions to a Council of Conciliation.
- They should use joint economic measures against aggressors, and

when these failed, then joint military measures.

It was the use of economic measures against aggressors that interested Filene particularly. At the great dinner in Washington, which brought the organization to public attention in May 1916, Filene was one of the main speakers, and the subject assigned to him was "The League Program and the Soul of the United States." He used the occasion to preach a sermon on a subject which

was a favorite of his for the rest of his life—the importance of preventive measures as compared with remedial measures.

Isolationism is a thing of the past, he told his 1916 audience, somewhat prematurely. "This war has emphasized the fact that the United States has become a world power . . . Carefully sheltered from the recurrent storm and stress of European politics by our geographical location and our traditional policy of isolation, we

have as a nation grown both powerful and rich, but the war has shaken down about our ears the House of Isolation. We have learned that isolation from world affairs is impossible, and that cooperation in world affairs is imperative. But we are groping for a program."

The Good Samaritan today

He read to the audience, verbatim, the New Testament parable of the Good Samaritan. "We have come to a time when the Good Samaritan is, in theory at least, accepted as an illustration of the minimum social responsibility that any civilized man must accept," he said. "The Good Samaritan is the classical example of remedial charity prompted by pity . . . but I am convinced that were this parable stated today, it would not limit the action of the Good Samaritan to dressing the wounds and paying the hotel bill of the victim, but would have him start a practical movement for ridding the Jericho Road of outlaws, instituting adequate police protection, and making the road a safe avenue for travel. In other words, remedial charity is no longer a complete answer to give to suffering. We must add preventive measures."

The answer to the problem of war is not just shipping food and clothing to suffering people, he went on, but taking steps to make war difficult or impossible. America's spiritual and moral vision is challenged, he said. "The United States with its great wealth and power is a responsible citizen in the community of nations. Either it must consciously take its place now as a world power, or it will later be dragged reluctantly at the heels of forces and fears which it cannot control . . .

"Even before the war," he continued, "we were as a nation at the crossroads in our spiritual development—using the word spiritual in its broadest sense. In the physical conquest of the continent, we paid the price of an over-emphasis on the material side of life . . . The very virtues of a nation's youth may become the vices of a nation's maturity . . . I believe that if we do our share in helping the nations lay the foundation of more lasting world peace, we will find that this war has given us the opportunity for the greatest moral and spiritual adventure of our national life . . ."

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Filene's words, said one commentator later, created the greatest sensation of the meeting. He was saying things that people wanted to hear. Apparently there was a more optimistic faith in the future of peace and democracy in 1916 than there has ever been since. A poll of members of the U. S. Chamber of Commerce showed that 96 percent of the members believed in some sort of league of nations. The League to Enforce Peace went on gaining support steadily. Both political parties put League planks in their 1916 platforms.

Safe for democracy

Filene was as active in the 1916 presidential campaign as he had been in 1912. Wilson's victory in this election was extremely close. Shortly after the election came the entry of America into the war, spurred by the intensification of the German submarine campaign. Wilson's statement of war aims—"we must make the world safe for democracy"—stirred Filene deeply. He wired the president:

"Accept my gratitude and loyal support. The great message not only unites the American people but will win their support for your wise and farsighted program which will do all that is practically possible to shorten the war and bring about a League of Nations."

Wilson's lofty statements about the purpose of war seemed eloquent and noble to men like Filene. Others, like Theodore Roosevelt, were not so impressed. "We got into this war because we were attacked," said Roosevelt and a few others. "We have no aims but to win." But this was not enough for Filene, who agreed with the president that victory when it came must be used to reorganize the world on a more moral base. It would be a delicate problem to get the belligerents to agree to a new order in which war would be impossible, Filene realized, but he did not think it was impossible. He identified closely with Wilson, and tried to protect him from anything that might make the problem more difficult.

"I am taking the liberty of enclosing for your attention," he wrote to Wilson in August 1918, "correspondence regarding a proposal which the Cleveland Chamber of Commerce has in mind making that the Chamber

of Commerce of the United States should send out a referendum on the question of American initiative in bringing about an Inter-Ally council to deal with the economic regeneration of Russia.

"I have learned directly from you . . . how greatly many such things which may be sound in themselves may embarrass and hinder you in the handling of situations the delicacy of which no one not in possession of the full facts can know . . . I have felt that it was fundamentally important, in all such cases, to insist that no group should undertake to deal with important questions of policy when they did not and could not have all the facts before them . . ."

The president thanked Filene for the information and said: "I hope sincerely that you can convince the Executive Committee of the Chamber that it would be unwise and confusing and impractical."

When America entered the war, the officers of the League, including Filene, mostly took on new duties, and peace plans were temporarily filed away. When the war ended, the League to Enforce Peace sprang back to life. Its officers toured the country making speeches on the need for the league of nations. Next to William Howard Taft, Edward A. Filene made more speeches than any. When it became clear that President Wilson was going to the peace conference with a league of nations proposal, the job of the League to Enforce Peace was finished, and the organization disbanded.

Thick and thin

Whether, in his unhappy battle for the League of Nations, Wilson used the right or the wrong methods is still being evaluated forty years later. Whether American membership in the League would have prevented the outbreak of World War II, is still and always will be in doubt. Filene's heart was with Wilson all the way. In 1920, when the Senate had refused to ratify Wilson's treaty and Wilson, on a gruelling speaking tour in favor of the League, had suffered the stroke that made him an invalid for the rest of his life, Filene was willing to consider supporting Wilson for a third term. He wrote:

"Ever since your illness, I have been wanting to write you, but have deliberately refrained from doing so,

believing that it was the better part of friendship to save you the trouble of reading, and replying to, my letter . . .

"In the first place, I wish to assure you of my unswerving loyalty to you and your principles. As I have told the Democratic committee, if you could see your way clear to accepting a renomination for the Presidency, I should gladly work for you and vote for you against any other candidate that might be named . . .

"It is my firm conviction that, when history makes its just valuation of the Great War, it will be found that your part in the War, in the Peace, and in the conception of the League of Nations will be recognized as the part of a great and far-seeing leader . . ."

Hoping against hope

It still seemed possible that a new president and a new Congress might vote to join the League, and in 1920 Filene contributed \$5,000 to the Democratic campaign. But the country's interest in the League, that had seemed so strong in 1918, had vanished by 1920 and opponents of the League took over the reins of government for twelve years. In 1922 Filene contributed to the campaign of a Massachusetts Democrat who was trying to defeat Senator Henry Cabot Lodge, the man often blamed or praised for leading the fight against the League of Nations. Lodge was almost, but not quite, beaten, and Filene consoled himself with the fact that the Democrat after all was almost unknown.

He continued to write affectionate letters to the invalid ex-president. "I am just back from Europe," he wrote in October 1922 . . . "During my stay abroad I spent some time at Geneva while the League of Nations was in session. It seems to me that the League is finding itself this year . . . I thought of you very often while I sat at the sessions of this great body for whose existence you are more responsible than any man living."

In November he wrote again: "As the anniversary of Armistice Day approaches, I want to express my feeling of indebtedness for what you have done for your fellow citizens and for the cause of civilization . . . I have been working very hard to defeat Mr. Lodge . . . he would certainly have been defeated if his op-

ponent had been a man who stood for something."

A year later, in November 1923, he was back again from a trip to Europe, and wrote: "I have been absent in Europe for four months... What impressed me most is the fact that it is becoming more and more apparent that there can be no solution of the French-German difficulties except by the means you proposed; namely, guarantees to France against attack, and the maintaining of the definite machinery of international

court and international law to deal with the differences and friction as they arise. The Germans are also in agreement with this."

The post-war doldrums

Many American supporters of the League of Nations lost their enthusiasm or their energy after it was clear that the peace treaty was defective and the German people were being loaded with debts that they could never pay. Filene felt all this but he could

never drop his oars. In 1921, Edward A. Bok, editor of the *Ladies' Home Journal*, awarded prizes in America for essays on peace; and in 1923 it occurred to Filene that it might be a good thing to offer similar prizes in Europe. So in 1924, Filene gave \$40,000 in prizes for peace plans submitted in Germany, Italy, France and England. Distinguished public personages served on the committees that judged the essays submitted, and the awards and essays were widely publicized. The contest was widely discussed in Europe. There were 4,700 essays submitted in England, 5,300 in France, 4,400 in Germany and 1,000 in Italy.

Filene became a well-known figure in Europe at that time, and he continued to be a celebrity there for the rest of his life. The peace prize contest naturally attracted a high percentage of meaningless crackpot entries, but it also contained a solid core of sound stuff. Significantly, none of the prize winners put all their faith in the League of Nations as a guaranty of peace, but all of them thought it had a part to play. Among the best qualified entrants, in other words, the idea of a panacea had neither charm nor standing.

"Send me a motorcycle"

Filene enjoyed remembering, in later years, some of the quaint mail stirred up by this contest. When it became known that an American millionaire was giving money away, naturally there were plenty of people who wrote and asked for some. Among them were a young man in Austria who wanted a motorcycle, a man in Portugal who wanted a job for his son in Filene's department store and a man in Vienna who wanted a set of false teeth. There was also a Rumanian gentleman who wanted \$50,000 in order to get married, promising, "To honor you as the founder of my family, I shall erect a memorial of you and send you a photograph of it."

All through the 1920's, while the prospects of permanent peace grew dimmer and dimmer, Filene went on doggedly contributing his bit. In the belief that world travel helps ordinary people to understand each other, he did much to persuade the steamship lines to put in tourist and student classes at lower rates. He sponsored the development of the simultaneous translation equipment that is now used



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at all international conferences. He traveled regularly, made speeches and wrote articles.

In 1925, after Wilson's death, Filene learned that Ray Stannard Baker was writing a life of Wilson. Filene wrote to Baker to tell him about a conversation he had with Wilson in Paris, in which Wilson ex-

plained some of the concessions he had had to make in negotiating the peace treaty. "The world is too near the war," Wilson told Filene as Filene recalled it, "Not only are people's hands bloody, but their minds are bloody, too..."

The haunting words never stopped echoing in his earnest mind.

SECOND MORTGAGES

The Ontario government has adopted new licensing regulations. Others may follow.

(Continued from page 7)

quires \$2,700 to complete the deal. This will be immediately discounted the usual 25 percent, and the second mortgage is written for \$3,600. The purchaser has explained to the second mortgagee that he is not in a position to make large monthly payments. His second mortgagee, masquerading as a good fellow, makes the payments \$50.90 per month. The borrower's total monthly payments then amount to \$81.90 plus taxes for the first mortgage, and \$50.90 for the second mortgage.

Principal not reduced

Possibly he is congratulating himself on making a pretty good deal, even though he is paying a very high rate of interest, but he is in for a very rude awakening. His payments on the second mortgage are going entirely for interest and discount; none of the original principal is being reduced. At the end of the three-year period he receives a notice that the term of the second mortgage has expired, and the principal amounting to \$2,700 is now due and payable in a lump sum.

This man did not have savings to give himself an adequate down-payment when he took over the house. With his added commitments there is no reason to believe he can raise the \$2,700 now due.

He will no doubt find that the second mortgage lender is not quite so affable when it comes to making a new offer. He will do business, but the borrower is now in a position where he must meet the terms or face foreclosure proceedings. To obtain a new mortgage he will perhaps be charged a 40 percent discount, which means the reduced amount of \$2,700 will now rise beyond the original second

mortgage to \$4,500. In other words, instead of a reducing second mortgage, he has a ballooning type. This man does not own a home. He is the possessor of a bottomless pit.

The third case may be described as out-and-out chicanery. In this instance, the prospective owner is also not an acceptable purchaser to the lenders of first mortgage money. Perhaps his credit rating is not up to standard or his income is not such that it is felt he can meet his payments. In any event he cannot arrange a mortgage through the normal channels. In this instance certain types of vendors arrange the following deal. They approach an owner who has purchased a house, perhaps within a year or so, with a negotiable first mortgage and offer him \$1,000 to move into a new house and arrange another mortgage. The deal is made, the owner transfers his mortgage and house to the unacceptable purchaser and moves away.

Up goes the price

The unacceptable purchaser then finds himself the possessor of a house with a first and second mortgage. But he is worse off than the man described in case two, because he is paying \$18,000 for a house that is valued at only \$16,000. The price of the house was raised to pay off the original owner and whatever real estate charges the deal-makers feel they are entitled to. The purchaser, with little or no down-payment, has a second mortgage of approximately \$5,000 even before the discounts and balloon feature take effect.

This purchaser may have a roof over his head but it should be shingled with aspirin—he has bought himself a lifetime of headaches.

There are many concrete examples

of Canadians being overcharged when they take out second mortgages. Pierre Berton, a columnist on the *Toronto Daily Star*, recently told the story of what happened when Gysbertus Huider, a Dutch-Canadian from Oshawa, Ontario, needed some cash to add a room to his house.

He saw an advertisement from a company called the Quay Funding Corporation which stated: "I'll lend you \$1,525 within HOURS . . . if you can pay back \$30.84 a month . . . this means you can now get a fast cash loan to pay off a mortgage . . . and you control the cost of your loan . . . lower your monthly payment by 60 percent." When Huider went to see Quay, he had two mortgages on his home. One had a year to run. The other was not due for almost three years. The total amount he owed on both mortgages was \$6,130.19.

Expensive \$200

When the loan company was through with him, Huider had two brand new mortgages on his house. And now he owed \$8,795.

In order to get \$200 in cash, Huider allowed Quay Funding to negotiate two new mortgages to replace two old ones. The "finance charges" for this transaction totalled \$2,300. In addition, "recording charges" totalled \$190. In addition, Huider must pay interest at 7½ percent and 12 percent respectively, on the total value of the mortgages plus all the added charges. This works out to be a real interest rate of 18.3 percent on his new first mortgage and a real interest rate of 34 percent on his new second mortgage.

And all Huider has to show for this is \$200 in cash, plus the nebulous advantage of a slightly extended period in which to pay his debt. In January, he owed \$2,665 more on his house than he owed in December. His monthly payments and his interest rates are now higher than they were before he applied for his loan.

Huider's loan agreements call for him to make monthly payments of \$90. This means that in four years, when these new, expensive mortgages come due, he will have paid some \$4,300 to the loan company. Yet he will still owe more money on his house than when he first applied for a loan. Last December he owed \$6,130. Four Decembers from now, if he pays at this rate, he will owe about \$7,300. He is thus being forced

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to pay more than 1,000 percent interest per annum on his \$200.

To curb this kind of operation, the Ontario government on July 1 of this year put into effect a Mortgage Brokers Registration Act—the only one of its kind in Canada. The legislation requires mortgage brokers to register and take out a license. The act provides fines ranging up to \$5,000 and imprisonment for anyone issuing mortgages without a license.

Other provinces are studying the legislation, and many plan similar steps to regulate the mortgage operators. The importance of the business was underlined by Stewart Bates, president of Central Mortgage and Housing Corporation, the government agency which administers Canada's housing industry, who said recently: "The quality of the nation's housing determines not only the way a nation lives, but the way it evolves. The men who shape a country's homes, and its social environment, help mould its future generations. This power of decision is given to those whose actions influence the amount of new housing that is built. And that depends on the availability of mortgage money."

COMING EVENTS

September 9-10—**Wisconsin** Credit Union League annual meeting, Loraine Hotel, Madison.

September 15-17—**Florida** Credit Union League annual meeting, Deauville Hotel, Miami Beach.

September 30-October 1—**Indiana** Credit Union League annual meeting, Claypool Hotel, Indianapolis.

October 20-21—**Fiji** Credit Union League annual meeting, Naweni Village, Vanua Levu Island.

October 28-29—**Kentucky** Credit Union League annual meeting, Sheraton-Seelbach Hotel, Louisville.

October 29—**Maine** Credit Union League annual meeting, Eastland Hotel, Portland.

November 17-20—**Missouri** Credit Union League annual meeting, Hotel Muehlebach, Kansas City.

December 1-4—**California** Credit Union League annual meeting, San Francisco.

January 28-29, 1961—**Utah** State Credit Union League annual meeting, University of Utah, Salt Lake City.

March 3-4—**North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown.

March 11—**Connecticut** Credit Union League annual meeting.

March 17-18—**Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence.

March 23-25—**Credit Union League of Alberta** annual meeting, Palliser Hotel, Calgary.

March 23-25—**Texas** Credit Union League annual meeting, Statler-Hilton Hotel, Dallas.

April 7-9—**South Dakota** Credit Union

League annual meeting, Sheraton-Johnson Hotel, Rapid City.

April 6-9—**Kansas** Credit Union League annual meeting, Towne House Hotel, Kansas City.

April 7-8—**Illinois** Credit Union League annual meeting, Hotel Sherman, Chicago.

April 7-8—**Washington** Credit Union League annual meeting, Olympic Hotel, Seattle.

April 13-15—**Virginia** Credit Union League annual meeting, Hotel John Marshall, Richmond.

April 13-16—**Pennsylvania** Credit Union League annual meeting, Penn Sheraton Hotel, Pittsburgh.

April 14-15—**Georgia** Credit Union League annual meeting, Dinkler-Plaza Hotel, Atlanta.

April 14-15—**Iowa** Credit Union League annual meeting, Savory Hotel, Des Moines.

April 14-15—**Oregon** Credit Union League annual meeting, Eugene Hotel, Eugene.

April 14-16—**District of Columbia** Credit Union League annual meeting, Statler-Hilton Hotel, Washington.

April 14-16—**New Jersey** Credit Union League annual meeting, Ambassador Hotel, Atlantic City.

April 15—**Vermont** Credit Union League annual meeting, Burlington.

April 20-22—**Nebraska** Credit Union League annual meeting, City Auditorium, Alliance.

April 20-23—**Michigan** Credit Union League annual meeting, Statler-Hilton Hotel, Detroit.

April 20-23—**Ohio** Credit Union League annual meeting, Columbus.

April 21-22—**Tennessee** Credit Union League annual meeting, Hotel Patten, Chattanooga.

April 21-22—**Colorado** Credit Union League annual meeting, Adams State College, Alamosa.

April 21-22—**Minnesota** League of Credit Unions annual meeting, Kahler Hotel, Rochester.

April 22—**New Hampshire** Credit Union League annual meeting, Community Club, Berlin.

April 27-29—**Oklahoma** Credit Union League annual meeting, Biltmore Hotel, Oklahoma City.

April 28-29—**Idaho** Credit Union League, Shore Lodge, McCall.

April 28-30—**Louisiana** Credit Union League annual meeting, Buena Vista Hotel and Motel, Biloxi.

April 28-29—**Massachusetts** CUNA Association annual meeting, New Ocean House, Swampscott.

April 28-29—**North Carolina** Credit Union League annual meeting, George Vanderbilt Hotel, Asheville.

April 29—**Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

May 20-21—**Wyoming** Credit Union League, City-County Building, Casper.

June 16-17—**Alabama** Credit Union League, Admiral Semmes Hotel, Mobile.

July 7—**Prince Edward Island** Credit Union League annual meeting, Community Center, North Rustico.

September 15-16—**Wisconsin** Credit Union League, Schroeder Hotel, Milwaukee.

Oct. 1-3—**New South Wales** Credit Union League annual meeting, Sydney.

November 16-19—**Missouri** Credit Union League annual meeting, Sheraton-Jefferson Hotel, St. Louis.



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